



Your Best
Interest At Heart.
Full Stop.

ANNUAL REPORT
2014



JAMAICA



JMMB
INSURANCE
BROKERS LTD



MERCHANT BANK LTD.

REGGAE MONEY
A MEMBER OF THE JMB GROUP

TRINIDAD
AND TOBAGO

THE
JMB
GROUP

Your Best
Interest At Heart.
Full Stop.

ANNUAL REPORT
2014

JMB
FUND MANAGERS LTD

JMB
INVESTMENTS
TRINIDAD & TOBAGO LTD

DOMINICAN
REPUBLIC

INTERCOMMERCIAL
TRUST & MERCHANT BANK LIMITED

JMMB
Puesto de Bolsa, S.A.

IBL BANK



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Love at our Core
· It's in our DNA
· Genuine Partnership

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It's about partnership



JMMB + YOU

The JMMB Group is a regional group of companies forged around a singular vision of financial freedom for all. Understanding the power of partnerships and guided by the strength of our core values, helping our clients achieve their goals, we continuously work towards strengthening our bonds with clients and their goals.

We embrace the opportunity to make a substantial impact, combining expertise with a passion for people, to achieve exceptional results. We are in the business of turning dreams into realities and we are able to do so by partnering with our clients and guiding them along a path that was specifically mapped out for them. Client partnership is at the centre of everything we do. Having our clients' best interest at heart is more than something we say. It's who we are. **It's in our DNA.**



Our Brand Promise

Our clients are at the heart of what we do! We are their financial companion, with their best interest at heart. We promise to give expert advice and deliver fair, simple solutions to achieve their goals. Being in their world, we go beyond financial services, and offer a unique experience across our Group locations!

Our Mission

To maximize client satisfaction through exceptional client care and world class financial advice and expertise.

Solidity, ethics, credibility and openness are hallmarks of JMMB as experts in all aspects of our operations.

To be a dynamic, international, multifaceted financial group that has a caring, loving and fun environment where team members are productive, creative, happy and fulfilled.



A photograph of four hands, two from the top and two from the bottom, positioned to form a heart shape. The hands are of a dark skin tone. In the center of the heart formed by the hands is a glowing, white, neon-style heart. The background is a solid, vibrant red. A light green circle is positioned at the top center, containing the text "When we work together, we make magic happen." Two thin white lines with colored dots (one red, one blue) connect the text circle to the top-left and top-right hands respectively.

*When we
work together,
we make magic
happen.*

Your Best
Interest at Heart

Corporate Profile

Since its inception, JMMB has established itself as one of the leading brokerage houses in the Caribbean. The JMMB Group now offers a wide range of investment solutions, banking and insurance services in Jamaica, Trinidad and Tobago and the Dominican Republic. Known for its pioneering spirit, the JMMB Group has consistently introduced new products and services to its extensive client base of over 200,000 – individual, corporate and institutional.

JAMAICA: THE BEGINNING

The brainchild of the late Joan Duncan, JMMB opened for business in November 1992 as the first Money Market Broker in Jamaica. The vision was to provide great investment opportunities to Jamaicans from all walks of life and companies of all sizes so they could benefit from great returns on safe investments. As possibility thinkers, Joan Duncan and co-founder Dr. Noel Lyon, created a company based on love that was committed to serving its clients, team members and shareholders.

Since then, the Company has become one of Jamaica's largest securities dealers with several subsidiaries in Jamaica, including: JMMB Securities Ltd, JMMB Insurance Brokers Ltd, JMMB Merchant Bank Ltd, Capital & Credit Remittance Ltd (Reggae Money Express), and JMMB Fund Managers Ltd. The JMMB Group, inclusive of its subsidiaries, has over four hundred (400) team members, thirteen (13) locations and twelve (12) Electronic Transaction Machines (ETMs), most offering dual currency options island-wide to ensure convenient access to a wide client base.

JMMB's formula:

Vision + Values + Expertise = Phenomenal Success.

REGIONAL FOOTPRINT

In line with our 2025 vision, the JMMB Group began its expansion to other Caribbean markets in 1999, through a successful joint venture establishing Caribbean Money Market Brokers (CMMB) in Trinidad and Barbados.

In 2005, as a means of deliberate business line diversification in the region, JMMB acquired 50% shareholding in Intercommercial Bank Ltd. (IBL Group) in Trinidad and Tobago. IBL currently has four branch locations.

In late 2012, the company opened JMMB Investments (Trinidad and Tobago) Ltd.

JMMB Dominicana opened its doors in 2006 and in October 2007 was officially called JMMB Puesto de Bolsa with a mandate to actively develop the Money Market in one of the largest Spanish-speaking Caribbean islands. We currently have two locations in the Dominican Republic.

JMMB is listed on the Jamaica, Barbados and Trinidad and Tobago Stock Exchanges.

BUSINESS LINE DIVERSIFICATION

On June 29, 2012, JMMB successfully completed the transaction to acquire the Capital & Credit Financial Group (CCFG) in Jamaica. This enabled the expansion of the JMMB Group to include the provision of Merchant Banking, Remittance and Unit Trust products and services to its extensive client base.

This transaction has resulted in tremendous benefits for shareholders of both companies and their clients. It gives the expanded entity the opportunity to deliver stronger financial performance and increased efficiency by extracting synergies in products, technology platforms and operations. This has increased the overall growth prospects of the JMMB Group and shareholder value.



In 2013 JMMB gained full ownership of its first commercial bank. JMMB's goal of becoming a fully-integrated regional financial services company was boosted with approval from the Central Bank of Trinidad and Tobago (CBTT) to acquire 100% of Intercommercial Bank Ltd. and Intercommercial Trust & Merchant Bank Ltd. (IBL Group) in Trinidad and Tobago (T and T).

Indeed, the Company's principles ensure that JMMB continues on a path of sustainable growth in profitability and consistent growth in our client base through our commitment to meeting their needs.

FULFILLING OUR CLIENTS' NEEDS

The main activities of our group of companies are:

- Investments: J\$, TT\$, Peso, US\$, Pounds, Euro, and CAD\$
- Portfolio Management
- Financial Advisory Services
- Retail and Commercial Banking
- Corporate Finance
- Equities Trading
- Bond Trading
- Unit Trust Investing
- Cambio and FX Trading
- Remittance Services
- Pensions Management
- Insurance Brokerage (for individuals and companies)

CORPORATE CITIZENSHIP

JMMB takes its role as a socially responsible corporate citizen very seriously and this has been a guiding principle in our DNA since inception. Hence, our structured programmes of corporate social responsibility are delivered primarily through the Joan Duncan (JD) Foundation and localized community initiatives in the countries which we operate.

COMMUNITY INITIATIVES

Throughout the years, our branches have extended our Vision of Love to communities across Jamaica, in particular, the communities in which we operate. This has been done through their support of various initiatives in the areas of sports, health, education and general outreach. That same commitment to corporate social responsibility is key to JMMB's operations in the Dominican Republic and Trinidad and Tobago in supporting local community initiatives.

Solidity, ethics, integrity and openness are hallmarks of JMMB and can be seen in all aspects of our operations.



Long-Term Results
for our Shareholders

*Genuine
partnerships
bear genuine
rewards.*



Dr. Noel Lyon
Group Chairman

Keith Duncan
Group CEO

THE
JAMC
GROUP

2013/2014

Group Chairman & Group CEO Report

\$3.06

BILLION

NET PROFIT

\$1.52

BILLION

*Dominican Republic and
Trinidad and Tobago
contribution to
the net profit*

We are pleased to present to you the Annual Report of the JMMB Group for the year ended March 31, 2014. The JMMB Group posted a net profit of J\$3.06 billion, and earnings per share of J\$1.74. While there was a reduction in Profit After Taxes compared to the prior financial year (2012/13 - J\$3.86 billion), excluding one off gain from acquisitions, would reflect a positive increase of J\$792.1 million or 41.5%.

Our operations in the Dominican Republic (DR) and Trinidad and Tobago (T and T) continue to contribute significantly to the Group's performance and vindicate our regional diversification strategy. DR and T and T contributed \$1.52 billion to the Group's profit. Against a backdrop of unpredictable market conditions, our Jamaican entities also performed well, as we continue to innovate and offer competitive and tailored solutions to meet our clients' life goals.

A more in-depth analysis of the performance of each business line and of our overall results is presented in our Management's Discussion and Analysis section of this Report.

KEY HIGHLIGHTS OF THE FINANCIAL YEAR 2013/14

Significant achievements during the year included the launch of our Securities arm in Trinidad - JMMB Investments (Trinidad and Tobago) Ltd. and our 100% acquisition of the Intercommercial Banking Group (IBL) in Trinidad. IBL is the Group's first wholly owned Commercial Bank and represents another step in the building-out of our regional Integrated Financial Services Model. The Group also completed a very successful Preference Share Issue in 2013, a testament to the strength of the JMMB brand and of our commitment to continue serving our clients.



CLIENT INTIMACY – THE HEART OF JMMB

Throughout the year we continued to deepen and cement our client intimacy strategies, by building and maintaining genuine relationships and forging partnerships with our clients. We are grateful to you our clients who have stood with us throughout the financial challenges we faced during the year. With you in mind, we have implemented new initiatives and new systems to make doing business with us easy and convenient. We thank you for your continued loyalty and support.

BUILDING ON A PROUD RECORD OF CITIZENSHIP & NATION BUILDING

The launch of the Joan Duncan Foundation was a key highlight of our corporate commitment to Jamaica and of our vision to help Jamaicans tap into their potential for greatness and have their greatness impact their own lives and enhance the lives of their communities. We also strengthened our commitment and dedication to community and nation building in Jamaica, DR and T and T as we continue to participate in and contribute to several outreach activities, focusing on education, entrepreneurship, community involvement and transformational training.

With our continued commitment to the future of Jamaica, the JMMB Group has partnered with other Private Sector Financial Institutions to play a part in monitoring and improving the performance of the Jamaican economy through membership on the Economic Programme and Oversight Committee (EPOC) which works closely with the Government to monitor economic performance.



Keith Duncan
Group Chief Executive Officer



Dr. Noel Lyon
Group Chairman

ACKNOWLEDGEMENT

The work and contribution of our Board of Directors throughout the year was thorough and vital and we thank you for your support. Your commitment to the success of JMMB and your emphasis on good governance augurs well for the future.

We also wish to compliment the management team for their expertise, commitment and dynamic responsiveness to the market environment which enabled us to deliver strong results. We extend our gratitude to all team members for their efforts and for being unstoppable during another year of challenging and unpredictable market conditions.

To our valued shareholders and clients who continue to walk with us on our journey, we especially thank you for your support and belief in the JMMB Group.

POISED FOR GROWTH AND SUCCESS

We are very confident about the continuing success of the JMMB Group and of our ability to seize opportunities as they arise, not only in the countries in which we operate, but globally.

Equipped with talented and committed team members, with tailored and innovative financial solutions for our clients, with efficiency in our operations and with the compelling drive to focus on our strategic initiatives, the JMMB Group is definitely poised for growth. We will continue to build on our strong performance in 2013/14 and to deliver on our Customer Value Proposition.



Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held in the Venetian Room at the Terra Nova All Suite Hotel, 17 Waterloo Road, Kingston 10, Jamaica on Wednesday September 17, 2014 at 11:30 A.M. to consider and (if thought fit) to pass the following resolutions:

1. To receive the Reports of the Directors and Auditors and the Audited Accounts for the twelve (12) months ended March 31, 2014.

To consider and (if thought fit) pass the following resolution:

“THAT the Reports of the Directors and Auditors and the Audited Accounts for the twelve (12) months ended March 31, 2014 circulated with the notice convening the meeting be adopted”.

2. To approve and ratify dividend payments.

To consider and (if thought fit) pass the following resolution:

“THAT the interim dividends of Sixteen (16) Cents paid on December 18, 2013 and Seventeen (17) Cents paid on June 26, 2014 making a total of Thirty-Three (33) Cents for the year, be, and are hereby, ratified and declared as final, and that no further dividend be paid in respect of the year under review.”

3. Retirement of Directors

The Directors retiring from office by rotation pursuant to Article 105 of the Company's Articles of Association are Dr. Noel Lyon, Mr. Dennis Harris and Mrs. Donna Duncan-Scott who being eligible offer themselves for re-election.

To consider and (if thought fit) pass the following resolutions:

- (a) “THAT Director Noel Lyon who retires by rotation and being eligible for re election be, and is hereby, re-elected a Director of the Company”;
- (b) “THAT Director Dennis Harris who retires by rotation and being eligible for re-election be, and is hereby, re-elected a Director of the Company”; and

- (c) “THAT Director Donna Duncan-Scott who retires by rotation and being eligible for re-election be, and is hereby, re-elected a Director of the Company”.

4. To appoint auditors and authorise the Directors to fix the remuneration of the Auditors.

To consider and (if thought fit) pass the following resolution:

“THAT KPMG, Chartered Accountants, having agreed to continue in office as auditors, be, and are hereby, appointed auditors of the Company to hold office until the next annual general meeting at a remuneration to be fixed by the Directors of the Company”.

Dated this 9th day of July 2014

By Order of the Board



Carolyn DaCosta
Secretary
REGISTERED OFFICE
6 Houghton Terrace
Kingston 10

NB: A member entitled to vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company. Enclosed is a Proxy Form for your convenience, which must be lodged at the Company's Registered Office at least forty-eight (48) hours before the time appointed for holding the meeting. The Proxy Form shall bear the stamp duty of \$100.00. The stamp duty may be paid by adhesive stamp(s) to be cancelled by the person executing the Proxy.



Ten-year Statistics Review

| | Year ended 31-Mar-14 (J\$'000) | Year ended 31-Mar-13 (J\$'000) | Year ended 31-Mar-12 (J\$'000) | Year ended 31-Mar-11 (J\$'000) |
|--|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| GROUP FINANCIAL DATA | | | | |
| Total assets | 206,706,119 | 166,860,961 | 124,736,554 | 113,019,058 |
| Investment Securities | 145,777,726 | 138,412,944 | 108,153,801 | 98,233,393 |
| Other interest earning assets | 50,530,581 | 14,118,039 | 5,929,366 | 3,996,291 |
| Repurchase agreements | 143,302,425 | 135,907,311 | 107,591,924 | 97,068,266 |
| Customer deposits | 35,887,750 | 7,567,380 | - | - |
| Shareholders' equity | 18,688,980 | 17,212,876 | 10,872,131 | 9,402,331 |
| Funds under management | 223,584,330 | 165,584,482 | 121,683,458 | 111,423,910 |
| PROFITS AND DIVIDENDS | | | | |
| Operating revenue net of interest expense | 8,732,250 | 6,243,316 | 5,987,479 | 4,073,084 |
| Operating expenses | 5,670,247 | 4,616,625 | 3,214,703 | 2,585,949 |
| Profit before tax | 3,398,051 | 3,647,375 | 2,814,017 | 1,509,635 |
| Net profit | 3,062,059 | 3,856,863 | 2,240,456 | 1,142,930 |
| Dividends paid and proposed* (in respect of the financial year) | 538,082 | 375,027 | 453,650 | 234,142 |
| Profit retained * (in respect of the financial year) | 2,523,977 | 3,481,836 | 1,786,806 | 908,788 |
| FINANCIAL RATIOS | | | | |
| Earnings per stock unit (cents) | 174 | 235 | 151 | 76 |
| Dividends per stock unit (cents) | 33 | 23 | 31 | 16 |
| Dividend payout ratio | 17.6% | 9.7% | 20.2% | 20.5% |
| Price earnings ratio (multiple) | 4 | 3 | 6 | 6 |
| Return on average equity | 17.06% | 27.47% | 22.10% | 14.03% |
| Return on average assets | 1.64% | 2.65% | 1.88% | 0.97% |
| Book value per stock unit (J\$) | 11.24 | 10.24 | 7.37 | 6.39 |
| Net interest margin | 3.02% | 3.05% | 3.10% | 2.46% |
| Efficiency ratio (Admin. exp/ Revenue) | 64.86% | 73.08% | 53.59% | 63.08% |
| Capital Adequacy Ratio (Company only) | 16.95% | 16.65% | 22.61% | 39.88% |
| OTHER DATA | | | | |
| Exchange rate J\$ per US\$1.00 | 109.28 | 98.41 | 87.10 | 85.63 |
| Inflation rate (year over year) (%) | 8.35% | 9.13% | 7.30% | 7.80% |
| Market Price per share (JSE closing price-J\$) | 7.04 | 6.20 | 9.81 | 4.61 |
| Number of stock units at year end | 1,630,552,530 | 1,630,552,530 | 1,463,386,752 | 1,463,386,752 |
| Market capitalisation | 11,479,089,811 | 10,109,425,686 | 14,355,824,037 | 6,746,212,927 |

* These amounts differ from those in the financial statements as, in accordance with IFRS, the latter reflect only actual dividends paid / payable.



Year End Results to March 31, 2014

| Year ended 31-Mar-10 (J\$'000) | Year ended 31-Mar-09 (J\$'000) | Year ended 31-Mar-08 (J\$'000) | Year ended 31-Mar-07 (J\$'000) | Year ended 31-Mar-06 (J\$'000) | Year ended 31-Mar-05 (J\$'000) |
|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| 122,975,370 | 111,193,465 | 102,415,766 | 89,618,957 | 81,880,170 | 63,889,888 |
| 104,887,535 | 96,260,862 | 85,570,383 | 76,362,152 | 63,285,620 | 48,481,878 |
| 6,113,434 | 4,904,285 | 8,395,103 | 6,709,864 | 11,230,218 | 9,525,011 |
| 102,844,985 | 90,110,998 | 88,246,690 | 77,353,059 | 70,761,258 | 54,791,793 |
| - | - | - | - | - | - |
| 6,890,736 | 5,326,814 | 6,660,504 | 7,244,608 | 7,198,449 | 5,800,961 |
| 122,876,617 | 110,184,670 | 111,757,466 | 88,631,247 | 79,414,404 | 63,982,494 |
| 3,095,678 | 4,849,213 | 3,324,949 | 3,384,483 | 2,845,131 | 2,566,810 |
| 2,109,128 | 2,455,567 | 2,177,396 | 1,708,729 | 1,496,190 | 1,206,293 |
| 1,028,312 | 1,544,528 | 1,254,902 | 1,526,459 | 1,844,422 | 1,765,177 |
| 986,378 | 1,102,622 | 1,061,610 | 1,098,603 | 1,590,430 | 1,648,481 |
| 204,874 | 175,606 | 336,579 | 292,677 | 263,411 | 263,411 |
| 781,504 | 927,016 | 725,031 | 805,926 | 1,327,019 | 1,385,070 |
| 67 | 75 | 73 | 75 | 109 | 113 |
| 14 | 12 | 23 | 20 | 18 | 18 |
| 20.8% | 15.9% | 31.7% | 30.6% | 16.6% | 15.90% |
| 6 | 8 | 16 | 14 | 12 | 15 |
| 16.15% | 18.40% | 15.27% | 15.21% | 24.47% | 33.60% |
| 0.84% | 1.03% | 1.11% | 1.28% | 2.18% | 2.64% |
| 4.69 | 3.63 | 4.54 | 4.95 | 4.92 | 3.96 |
| 1.71% | 1.34% | 1.63% | 1.68% | 1.79% | 3.30% |
| 67.80% | 49.70% | 65.49% | 50.52% | 52.60% | 47.00% |
| 44.60% | 47.40% | | | | |
| 89.39 | 88.35 | 71.02 | 68.14 | 65.50 | 61.54 |
| 13.31% | 12.40% | 19.90% | 6.60% | 11.10% | 12.40% |
| 4.00 | 6.00 | 11.75 | 10.50 | 12.62 | 17.00 |
| 1,463,386,752 | 1,463,386,752 | 1,463,386,752 | 1,463,386,752 | 1,463,386,752 | 1,463,386,752 |
| 5,853,547,008 | 8,780,320,512 | 17,194,794,336 | 15,365,560,896 | 18,467,940,810 | 24,877,574,784 |



Corporate Information

Client Care:

1 (876) 998-JMMB (5662)

From the USA and Canada: 1 (877) 533-5662

From the UK: 0 (800) 404-9616

Opening Hours:

Mondays – Fridays: 8:00 a.m. – 7:00 p.m.

Saturdays: 9:00 a.m. – 7:00 p.m.

Email: info@jmmb.com

Website: www.jmmb.com

JMMB Head Office

6 Haughton Terrace

Kingston 10

Tel: (876) 998-5662

Fax: (876) 960-9546 (for invest) 920-7281

Opening Hours:

Mondays – Fridays: 8:30 a.m. – 4:00 p.m.

JMMB BRANCH LOCATIONS

Brown's Town Agency

JMMB Limited

Brown's Town

Unit 3, Burlington Point

2 Church Street

Brown's Town, St. Ann

Telephone: (876) 998-5662

Opening Hours:

Mondays – Fridays: 9:00 a.m. – 2:00 p.m.

Haughton Avenue Branch

JMMB Limited

5 Haughton Avenue

Kingston 10

Tel: (876) 998-5662

Fax: (876) 920-7281 or 998-9380

Opening Hours:

Mondays – Fridays: 8:30 a.m. – 4:00 p.m.

Drive Thru

Mondays – Fridays: 9:00 a.m. – 5:00 p.m.

Saturdays: 10:00 a.m. – 2:00 p.m.

Knutsford Boulevard Branch

JMMB Limited

11 Knutsford Boulevard

New Kingston

Kingston 5

Tel: (876) 998-5662

Fax: (876) 960-3927 or 960-4455

Opening Hours:

Mondays – Fridays: 8:30 a.m. – 4:00 p.m.

Junction Agency

JMMB Limited

Shop 2, Roye's Plaza

Main Street, Junction

St. Elizabeth

Tel: (876) 998-5662

Opening Hours:

Mondays – Fridays: 9:00 a.m. to 4:00 p.m.

Mandeville Branch

JMMB Limited

23 Ward Avenue

Mandeville, Manchester

Tel: (876) 625-2351, 625-4450 - 2

Fax: (876) 625-2352

Opening Hours:

Mondays – Fridays: 9:00 a.m. – 4:00 p.m.

Montego Bay Branch

JMMB Limited

Suite 1, Fairview Office Park

Alice Eldemire Drive

Montego Bay, St. James

Tel: (876) 998-5662

Fax: (876) 979-1566

Opening Hours:

Mondays – Fridays: 9:00 a.m. – 4:00 p.m.

May Pen Branch

JMMB Limited

Shop 28B, Bargain Village Plaza

35 Main Street

May Pen, Clarendon

Tel: (876) 998-5662

Fax: (876) 786-3660

Opening Hours:

Mondays – Fridays 9:00 a.m. – 4:00 p.m.

Ocho Rios Branch

JMMB Limited

Guardian Life Building

2 Graham Street

Ocho Rios, St. Ann

Tel: (876) 998-5662

Fax: (876) 795-3886

Opening Hours:

Mondays – Fridays 9:00 a.m. – 4:00 p.m.

Portmore Branch

JMMB Limited

47-48 West Trade Way

Portmore Town Centre

Portmore, St. Catherine

Tel: (876) 998-5662

Fax: (876) 939-3207

Opening Hours:

Mondays – Fridays 10:30 a.m. – 6:00 p.m.

Saturdays: 10:30 a.m. – 2:00 p.m.

Santa Cruz Branch

JMMB Limited

Shop # 2 Oasis Plaza, Coke Drive

Santa Cruz, St. Elizabeth

Tel: (876) 998-5662

Fax: (876) 966-9816

Opening Hours:

Mondays – Fridays 9:00 a.m. – 4:00 p.m.



ETM Dual Currency Service (US\$ & J\$)

- Haughton Terrace
- Phoenix Avenue
- Knutsford Boulevard
- Liguanea
- Portmore
- Montego Bay
- Ocho Rios
- Mandeville
- Santa Cruz

ETM Service (J\$)

- May Pen



SUBSIDIARIES

JMMB Securities Limited

6 Haughton Terrace
Kingston 10
Tel: (876) 998-5662
Fax: (876) 960-8106

Opening Hours:

Mondays – Fridays: 8:30 a.m. – 4:00 p.m.
Website: www.jmmbsecurities.com
Email: info@jmmbsecurities.com

Board of Directors

Dr. Noel A. Lyon – Chairman
Archibald A. Campbell
Julian Mair
Keith Duncan
Kisha Anderson
Keisha Forbes
Paul Gray
Carolyn Dacosta – Company Secretary

JMMB Insurance Brokers Limited

3rd Floor
11 Knutsford Boulevard
New Kingston
Kingston 5
Tel: (876) 920-5040-1
Fax: (876) 960-3927 or 998-9380

Opening Hours:

Mondays – Fridays: 8:30 a.m. – 4:00 p.m.
Website: www.jmmbinsurance.com
Email: info@jmmbinsurance.com

Board of Directors

Dr. Noel A. Lyon – Chairman
Archibald A. Campbell
Cecile Cooper
Keith Duncan
Kisha Anderson
Paul Gray
Carolyn Dacosta - Company Secretary

JMMB Puesto de Bolsa S.A.

Acropolis Center
Winston Churchill Avenue, 12th Floor
Tel: (809) 566-JMMB (5662)
Fax: (809) 620-JMMB (5662)
Website: www.jmmbdominicana.com

Board of Directors

Dr. Noel A. Lyon – Chairman
Keith Duncan
Julian Mair
Donna Duncan-Scott
Jose de Moya – Secretary
Ricardo Ginebra
Roberto Jimenez Collie
Guillermo Arancibia – Country Manager

JMMB Fund Managers Limited

JMMB Headquarters
6 Haughton Terrace
Kingston 10
Tel: (876) 998-5662
Fax: (876) 960-9546 (for invest) 920-7281

Opening Hours:

Mondays – Fridays: 8:30 a.m. – 4:00 p.m.

Board of Directors

Dr. Noel Lyon – Chairman
Archibald Campbell
Keith Duncan
Kisha Anderson
Paul Gray
Sheldon Powe
Carolyn DaCosta – Company Secretary

JMMB Merchant Bank

Head Office and New Kingston Branch

6-8 Grenada Way
Kingston 5
Jamaica, W.I.
Tel: (876) 960-5320
Toll Free: US and Canada: 1 (866) 858-8269
England: 0 (800) 085-7910
Fax: (876) 960-1381

Montego Bay Branch

25 Church Street
Montego Bay, St. James,
Jamaica, W.I.
Telephone: (876) 979-1707
Fax: (876) 952-4647

Ocho Rios Branch

2 Graham Street
Ocho Rios, St. Ann
Jamaica, W.I.
Tel: (876) 974-8507
Fax (876) 974-8631

Board of Directors

Dennis Harris - Chairman
Dr. Noel Lyon
V. Andrew Whyte
Archibald Campbell
Rodger Braham
Gregory Shirley
Vintoria Bernard
Martin Lyn
Khary Sharpe
Donna Duncan-Scott
Keith Duncan
Carolyn DaCosta- Company Secretary



**Capital & Credit Remittance Ltd
(Reggae Money Express)**

6-8 Grenada Way
Kingston 5
Jamaica, W.I.
Tel: (876) 929-1660
Toll Free: 1 (888) 991-2062/7
Fax: (876) 960-2833
E-mail: reggaemoney@jmmb.com

Board of Directors

Dr. Noel Lyon - Chairman
Keith Duncan
Andrew Cocking
V. Andrew Whyte
Maurice Barnes
Kisha Anderson
Keisha Forbes
Carolyn DaCosta - Company Secretary

IBL Bank Limited

DSM Plaza, Old Southern Main Road
Chaguanas
Trinidad and Tobago
Tel: (868) 665-4425
Fax: (868) 665-6663
Website: www.ibltd.com

Board of Directors

Dr. Noel Lyon - Chairman
Keith Duncan
Krishna Boodhai
Hugh Duncan
Selby Wilson
Wayne Sutherland
Marjorie Nunez
Winston Millett
Winston Padmore
Lorraine Kam
Rodger Anthony Braham

**Intercommercial Trust and
Merchant Bank Limited**

Furness Building
90 Independence Square
Port of Spain, Trinidad and Tobago
Tel: (868) 627-3264 or 627-5068
or 623-0924
Fax: (868) 665-6663

Board of Directors

Dr. Noel Lyon - Chairman
Keith Duncan
Krishna Boodhai
Hugh Duncan
Selby Wilson
Wayne Sutherland
Marjorie Nunez
Winston Millett
Winston Padmore
Lorraine Kam
Rodger Anthony Braham
Gary Awai

**JMMB Investments
Trinidad and Tobago Limited**

Furness Court
1 Richmond Street
Port of Spain
Tel: (868) 624-9803 or 624-0995
or 623-2411
Fax: (868) 623-2411

Board of Directors

Dr. Noel Lyon - Chairman
Julian Mair
Keith Duncan
Winston Padmore
Aubrey Garcia
Wayne Sutherland
Kisha Anderson
Carolyn DaCosta - Company Secretary



Directors' Report

For the year ended March 31, 2014

The Directors are pleased to present their report for the year ended March 31, 2014. The report represents the results for Jamaica Money Market Brokers Limited and its subsidiaries (collectively referred to as "the Group").

GROUP RESULTS

- Operating revenue net of interest expense was J\$8.73 billion (2013: J\$6.24 billion).
- The profit before income tax was J\$3.4 billion (2013: J\$3.65 billion).
- The profit attributable to equity holders of the parent after income tax was J\$2.83 billion (2013: J\$3.74 billion).
- Shareholders' equity was J\$18.69 billion (2013: J\$17.21 billion).

The Directors recommend that the interim dividends paid on December 18, 2013 and June 26, 2014 be ratified and declared as final and that no further dividend be paid in respect of the year under review.

In accordance with Article 105 of the Company's Articles of Association, the Directors retiring from office by rotation are Mrs. Donna Duncan-Scott, Dr. Noel Lyon and Mr. Dennis Harris who, being eligible, offer themselves for re-election.

The auditors, KPMG, Chartered-Accountants, have indicated their willingness to continue in office pursuant to Section 154 of the Companies Act, 2004.

The Directors wish to thank management and all team members of the Group for their performance during the year under review.

As always, we wish to express our sincere appreciation to the clients and our shareholders for their continued support and partnership.

By Order of the Board
Dated this July 19, 2014



Carolyn DaCosta
Company Secretary





Proven Expertise -
Effective Corporate Governance



Shared goals give us drive. Working together gives us strength.



Profile of the Board of Directors



NOEL LYON, Ph.D.

Chairman

Expertise

- A Graduate of Kingston College
- B.S.A. and M.Sc. from the University of Guelph
- Ph.D., Economics from Harvard University

+ Values: Balance in all things.

= Phenomenal Success: Dr. Lyon was appointed Chairman of the Board in 1992 and also currently chairs subsidiaries, including JMMB Insurance Brokers Ltd., JMMB Securities Ltd., Capital & Credit Remittance Limited, Capital & Credit Securities Limited, JMMB Puesto de Bolsa, S.A., Intercommercial Bank Ltd., and Intercommercial Trust and Merchant Bank Ltd., JMMB Investments (Trinidad and Tobago) Limited. Dr. Lyon is also a Director on the Board of JMMB Merchant Bank Limited.

He has also served on the Boards of several private and public entities including the National Development Bank of Jamaica Ltd., Jamaica Venture Fund Ltd., Bank of Jamaica, Frome Monymusk Land Company Ltd., Jamaica Bauxite Mining Co. Ltd., Jamaica Stock Exchange Ltd., Jamaica Unit Trust Services Ltd., Clarendon Alumina Production Ltd., and Braco Resorts Ltd.



KEITH DUNCAN, CFA, B.A.

Group Chief Executive Officer

Expertise

- Chartered Financial Analyst
- B.A. in Economics from the University of Western Ontario in Canada.

+ Values: Integrity, Love, Family, Teamwork, Excellence

= Phenomenal Success: Mr. Duncan was promoted to Group Chief Executive Officer in 2005 and has responsibility for overall performance and charting the strategic direction of the Group.

A former president of the Jamaica Securities Dealers Association, he was involved in the partnership with the Financial Services Commission (FSC) in designing and implementing new structures and models to enhance the effectiveness of Jamaica's market players. In March 2011, under his leadership, the company was conferred with the prestigious Jamaica Chamber of Commerce 'Best of the Chamber Award' in the 'Large' category.

Mr. Duncan serves as a Vice-President of the Private Sector Organization of Jamaica and continues to contribute his service to Jamaica through various roles including his membership on the Economic Programme and Oversight Committee (EPOC). As Group CEO, he is a director on all the subsidiary boards.



DONNA DUNCAN-SCOTT, CFA, Group Executive Director, Culture & Human Development

Expertise

- B.Sc. in Engineering from the University of Western Ontario in Canada
- M.B.A. from the Richard Ivey School of Business at the University of Western Ontario in Canada
- Chartered Financial Analyst

+ Values: A true visionary and possibility thinker, Mrs. Duncan-Scott is guided by the philosophy that: "We were born to manifest the glory of God. It is not just in some of us; it is in every one of us". She is committed to sharing this fundamental truth in all aspects of her life.

= Phenomenal Success: For the past eight years, Mrs. Duncan-Scott has successfully applied her passion for the empowerment and transformation of others in her role as Group Executive Director of Culture and Leadership Development. Her enthusiasm and genuine desire to empower and inspire JMMB team members has led to the creation of programmes, practices and policies which have proved instrumental in upholding JMMB's core ideals of Love, Integrity, Openness and having the Best Interest of all at heart.

ARCHIBALD A. CAMPBELL, M.Sc. Group Deputy Chairman

Expertise

- B.Sc. in Accounting from the University of the West Indies
- M.Sc. in Accounting from the University of the West Indies

+ Values: Innovation, Integrity, Honesty, Accountability

= Phenomenal Success: Mr. Campbell was appointed Deputy Chairman of JMMB in 2004 and is Chairman of the Board of Trustees of the JMMB Pension Fund, as well as the Group Risk, Audit and Finance committees of JMMB. Mr. Campbell is also a Director on the board of JMMB Merchant Bank Limited and sits on the Credit Committee.

He is a past President of the Institute of Chartered Accountants of Jamaica and has served as an accounting expert in arbitration, as well as a Director of several companies.

Mr. Campbell served as a faculty member at his alma mater and is the Chief Financial Officer/ University Bursar with regional oversight.





CAROLYN DACOSTA, M.B.A., J.P.
Company Secretary

Expertise

- B.A. (Hons.) the University of the West Indies
- M.B.A. in Finance from the Manchester Business School
- LL.B. (Hons.) from the University of London
- Fellow of the International Compliance Association
- Justice of the Peace for the parish of St. Catherine

+ Values: Miss DaCosta values integrity and trustworthiness. "Integrity may be the most critical element of corporate success today. People who demonstrate integrity draw others to them because they are trustworthy and dependable."

= Phenomenal Success: Miss DaCosta has had nearly two decades of stellar service with the JMMB Group moving from Branch Supervisor in 1995 to now Group Company Secretary and Group Compliance Manager. She was instrumental in JMMB IPO, preference share offerings, acquisitions and mergers. She sits on all subsidiary boards and committees as Group Company Secretary.



HUGH DUNCAN, M.B.A.
Group Head Capital Markets

Expertise

- A Bachelor of Commerce degree from Montreal's Sir George Williams University
- An M.B.A. from Concordia University

+ Values: Integrity, Commitment, Confidence, Ability to Inspire, Empathy, Creativity

= Phenomenal Success: Institutional Building (Citi & IBL), Structuring of Major Deals, Mentoring of Captains of Industry.

Mr. Duncan has over 20 years' experience in the energy and financial services sectors. He served for over fourteen years with Citibank and was the Corporate Bank Head for Citibank (Trinidad and Tobago) Ltd and a senior executive member of Citibank's international staff working in Manila and the Philippines for five years. He also held the position of Director, Capital Markets at FirstCaribbean International Bank for the North Caribbean region and subsequently was Managing Director of Intercommercial Bank Group Limited for over seven years.

Mr. Duncan sits on the board of Intercommercial Bank Limited (IBL) as well as the credit and risk committees at IBL.



WAYNE SUTHERLAND, M.B.A.

Director

Expertise

- A B.Sc. from the University of the West Indies
- M.B.A. from the Columbia University Graduate School of Business

+ **Values:** Entrepreneurship, Love, Accountability, Creativity

= **Phenomenal Success:** Mr. Sutherland is the Managing Director of Jamaica Venture Fund Ltd. He was appointed to the Board in 2003 and also serves as a Director of Intercommercial Bank Limited and Intercommercial Trust and Merchant Bank Limited, and JMMB Investments (Trinidad and Tobago) Limited. Mr. Sutherland is the Chairman for the JMMB Group Information Systems Committee and sits on the Nominations and Corporate Governance Committees. He is also a member of the IBL Group Audit Committee.

He is currently Chairman of Kencasa Construction & Project Management Limited and the St. Hugh's Preparatory School Board. He sits on several other Boards including Mapco Printers Limited.

V. ANDREW WHYTE, M.B.A.

Director

Expertise

- B.Sc. in Chemical Engineering
- M.B.A. (Finance and Economics major)

+ **Values:** Integrity, Performance, Accountability and Relationships

= **Phenomenal Success:** Raised \$1.8 billion in debt financing to partially fund JPG's acquisition of 25% of Kingston Wharves share.

Mr. Whyte sits on the Group Audit, Finance, Corporate Governance and Risk Committees and chairs the Audit Committee of the JMMB Merchant Bank Ltd.. He is the Group Treasurer at the Jamaica Producers Group (JPG). He chairs the Board of Trustees of the JPG Pension Plan and the Board of Management of Emmanuel Christian Academy.

ANNE CRICK, Ph.D.

Director

Expertise

- B.Sc. in Hotel Management from the University of the West Indies
- M.Sc. (Hons.) from Pennsylvania State University
- Ph.D. in Organizational Management from Rutgers State University

+ **Values:** Development of youth, Client care, Integrity and Trustworthiness

= **Phenomenal Success:** Appointed to the JMMB Board in 2006, Dr. Crick chairs the Human Resource, Nominations and Corporate Governance Committees. She is an active member of the Jamaica Customer Service Association and an Honorary Fellow of the Jamaica Institute of Management.

She is also a Senior Lecturer at UWI and a former Associate Dean and former Head of Department for the Centre of Hospitality and Tourism Management (Nassau) and the Department of Management Studies (Mona).





RODGER ANTHONY BRAHAM, ACIB, B.B.A.
Director

Expertise:

- B.B.A. from the University of Technology, Jamaica
- Associate of Chartered Institute of Bankers designation from the Institute of Bankers of London
- He has also participated in Harvard University's Programme for Management Development.

+ **Values:** Clarity of vision and the ability to mobilise the troops to realise the vision.

= **Phenomenal Success:** Mr. Braham has over 40 years experience in commercial and development banking. He was appointed to the JMMB Board in July 2008. He sits on the Risk, Nominations and Governance Committees; as well as the JMMB Merchant Bank Credit Committee. He is a Director of JMMB Merchant Bank Ltd., Intercommercial Bank Limited, Trinidad and Tobago and the Joan Duncan Foundation.

He is a former director of the National Housing Trust and is an approved mentor for companies listing on the Junior Stock Exchange.



DENNIS L. HARRIS, CPA
Director

Expertise:

- An FCCA Certified Professional Accountant

+ **Values:** Developing the true potential of team, Openness, Creativity, Love and Understanding

= **Phenomenal Success:** Mr. Harris was appointed to the JMMB Board in January 2000 and sits on the Human Resource, Group Audit, Finance and Risk Committees. In addition, Mr. Harris is the Chairman of the Board of JMMB Merchant Bank Limited.

He is currently the Managing Director of Unicomer Jamaica (Courts). He also serves as a Director on the Board of Unicomer Jamaica Limited and CGM Gallagher Group Limited.



The image features a light pink background. On the left, a hand is raised, wearing a white shirt sleeve. In the center-right, a large red circle contains the text "Disclosure of Shareholdings." To the right of this circle is a smaller olive green circle, and above it is a small red circle, connected by thin grey lines. At the bottom of the image, the top of a woman's head with dark hair is visible.

Disclosure of
Shareholdings.

Disclosure of Shareholdings

Jamaica Money Market Brokers Limited Top 10 Shareholders As At March 31, 2014

| | | ORDINARY SHARES 1,630,552,530 |
|---|-------------------------|----------------------------------|
| SHAREHOLDERS | SHAREHOLDINGS | % |
| NCB CAPITAL MARKETS (IN ESCROW) | 428,777,325 | 26.296 |
| TRUSTEES JMMB ESOP | 158,324,383 | 9.710 |
| COLONIAL LIFE INSURANCE CO (TRINIDAD) LTD | 103,453,776 | 6.345 |
| NATIONAL INSURANCE FUND | 75,172,997 | 4.610 |
| CONCISE E.I. LTD. | 59,965,366 | 3.678 |
| CONCISE R.I. LTD. | 52,512,640 | 3.221 |
| JVF O.E. LTD. | 46,261,146 | 2.837 |
| SJIML A/C 3119 | 44,833,000 | 2.750 |
| JVF E.I. LTD. | 40,311,674 | 2.472 |
| CONCISE O.N. LTD. | 42,530,103 | 2.608 |
| DIRECTORS | SHAREHOLDING - ORDINARY | CONNECTED PARTIES |
| Noel A. Lyon | 31,146 | |
| | 37,775,196 | GRACELYN O.E. LTD |
| | 46,261,146 | JVF O.E. LTD |
| | 25,310 | Nicole Lyon |
| Donna Duncan-Scott | 7,678,110 | ESOP |
| | 28,548 | Alwyn Scott |
| | 36,776,951 | JVF O.N. LTD |
| | 42,530,103 | CONCISE O.N. LTD |
| Archibald Campbell | 18,400 | |
| | 344,827 | Odette Campbell |
| Keith P. Duncan | 20,590 | |
| | 59,965,366 | CONCISE E.I. LTD |
| | 40,311,674 | JVF E.I. LTD |
| V. Andrew Whyte | 846,745 | ESOP |
| | - | |
| | - | |
| Wayne Sutherland | 52,512,640 | CONCISE R.I. LTD |
| | 12,779,988 | JVF R.I. LTD |
| Dennis Harris | 364,277 | |
| Dr. Anne Crick | 5,234 | |
| Hugh Duncan | 4,828 | |
| Rodger Braham | - | |
| | 338,281,079 | |



| SENIOR MANAGEMENT | SHAREHOLDING-ORDINARY | CONNECTED PARTIES |
|--------------------|-----------------------|--------------------|
| Donna Duncan-Scott | 7,678,110 | ESOP |
| | 28,548 | Alwyn Scott |
| | 36,776,951 | JVF O.N. LTD |
| | 42,530,103 | CONCISE O.N. LTD |
| Keith Duncan | 20,590 | |
| | 846,745 | ESOP |
| | 59,965,366 | CONCISE E.I. LTD |
| | 40,311,674 | JVF E.I. LTD |
| Sheldon Powe | 23,000 | |
| | 2,022,857 | ESOP |
| Carolyn DaCosta | 1,050,302 | |
| | 57,921 | ESOP |
| | 4,357 | Craig DaCosta |
| | 127,169 | Dermott DaCosta |
| | 4,795 | Merline DaCosta |
| | 5,237 | Amanda Dacosta |
| Kisha Anderson | 660,395 | |
| | 57,921 | ESOP |
| | 29,328 | Elizabeth Thompson |
| | 10,000 | Rebekah Hoilett |
| Paul Gray | 1,500 | Gail Barrett |
| | 658,587 | |
| | 699,043 | ESOP |
| | 554,866 | Teverly Gray |
| Julian Mair | 603,362 | ESOP |
| | 212,500 | |
| Patrick Ellis | 239,711 | ESOP |
| | 966,872 | ESOP |
| Janet Patrick | 808,823 | ESOP |
| | 18,432 | |
| Imani Duncan | 1,043,767 | ESOP |
| | 4,900 | Stephen Price |
| Hugh Duncan | 4,828 | |
| Margaret McPherson | 908,951 | ESOP |
| Damion Brown | 2,400 | |
| | 908,951 | ESOP |
| Kerry Ann Stimpson | 780,032 | |





Applied Knowledge
& Expertise

*Collaboration is the
engine that drives
success.*

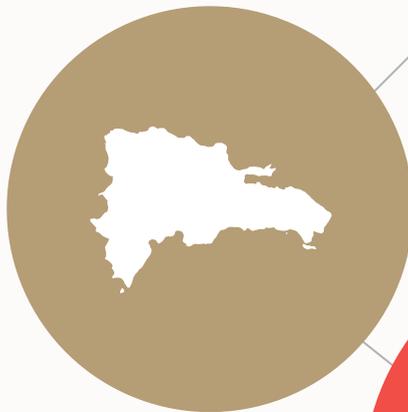
Regional Macro Economic Landscape:

Jamaica, Dominican Republic and Trinidad and Tobago

Dominican Republic



Jamaica



Trinidad and Tobago

Jamaica

THE JMMB BRAND IN JAMAICA is in a late stage of growth, as the brand is well-known for the offering of investment products and services in Jamaica with significant top-of-mind awareness. However, public awareness of JMMB's complete breadth of offerings is lesser known, in particular, our merchant banking, insurance brokering and remittance services.

Over the last financial year, the focus for the brand in this jurisdiction has been on mass media advertising, promoting both the reputation and experience of the Group. During the 2013 fiscal year, the integration of the newly acquired Capital & Credit Financial Group, into the JMMB Group was completed. Capital & Credit Merchant Bank Ltd. was rebranded to JMMB Merchant Bank Ltd. in July, 2013 and JMMB clients immediately gained access to an even broader sphere of financial products and services.

Looking ahead to the coming years, JMMB Jamaica will seek to fulfill its role in the overall Group strategy, that of delivering on our clients value proposition of becoming a true "Life Goals Centre".

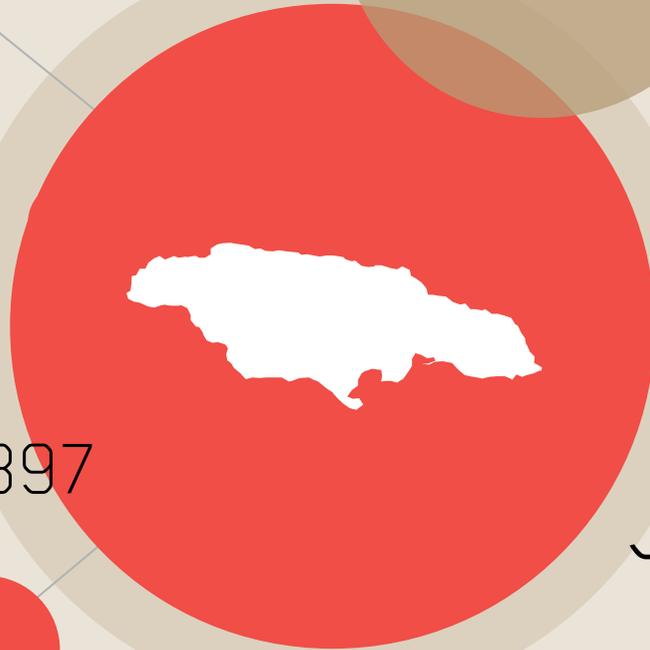
Our aim is to provide a solution to whatever goals our current and prospective clients have in mind, regardless of their current circumstances. JMMB believes that everyone can achieve their financial dreams with the right partner, working alongside them providing the right plan, while offering the right solution.





POPULATION

2,714,734



Jamaica



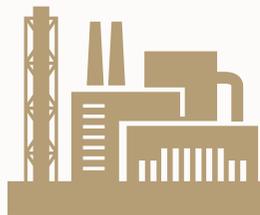
GDP PER CAPITA

US\$9,397



INDUSTRIES

- ALUMINA & BAUXITE
- TOURISM
- AGRICULTURE
- SUGAR
- RUM
- COFFEE



CURRENCY

JAMAICAN DOLLAR



POSITIVE RECENT DEVELOPMENTS

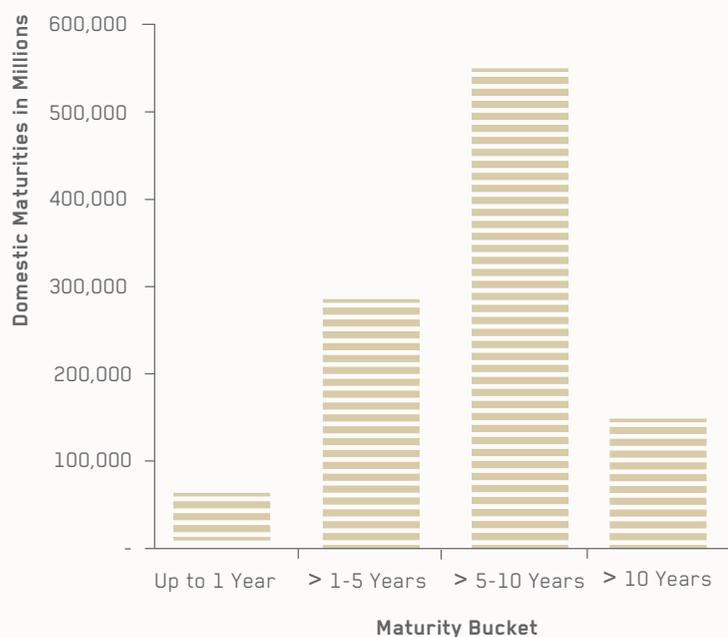
The Government of Jamaica (GOJ), on July 1, 2014 successfully issued to the international capital market its largest ever bond issue. The total issue size of the instrument was US\$800 million at 7.625% with a maturity date of 2025. The new bond becomes the nation's benchmark bond eclipsing the 2019's based on its issue size and likely liquidity. The bond shows renewed investor confidence in the nation and comes on the heels of a massive fiscal adjustment for Fiscal Year 2013/14 which has seen the sovereign run a marginal surplus for the first time in recent memory. The passing of three consecutive IMF tests has also bolstered investor confidence though some concerns remain.

The average yield on the nation's debt has plunged to 7.3%, the lowest level since 2011, as the country received pledges of

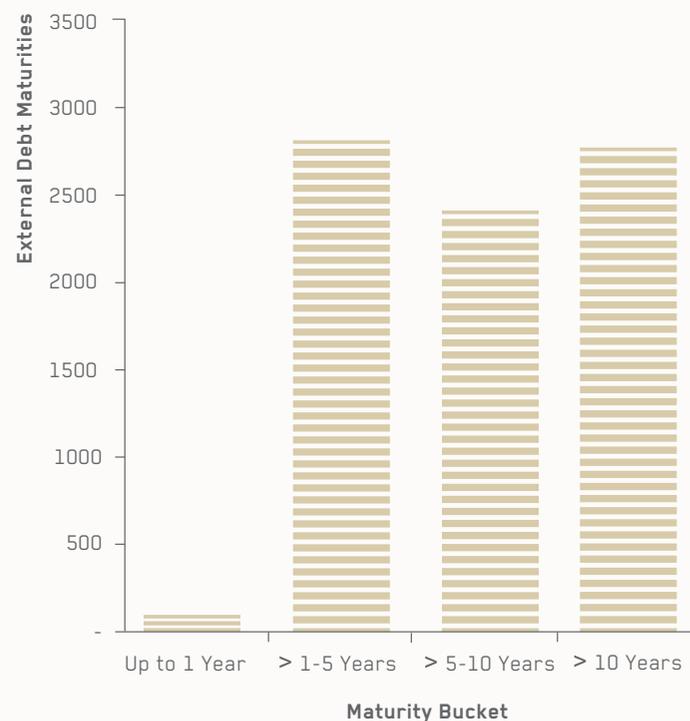
J\$2 billion in support from the IMF, the World Bank and the Inter-American Development Bank. The proceeds of the debt issuance are likely to satisfy or roll over upcoming debt obligations. Jamaica has a bunching up of debt maturities over the next 5 to 10 years both on the local and external side. The new debt issuance should help to alleviate some of the concerns around the pre-funding of these maturities.

The fact also that the nation was successful with the issuance and that there is tremendous appetite for GOJ bonds given the oversubscription of the issue, suggests that the capital markets remain open to Jamaica. Essentially the government has been rewarded for its fiscal austerity but for access to remain, the reforms must continue.

Maturity Profile of Domestic Debt



Maturity Profile of External Debt

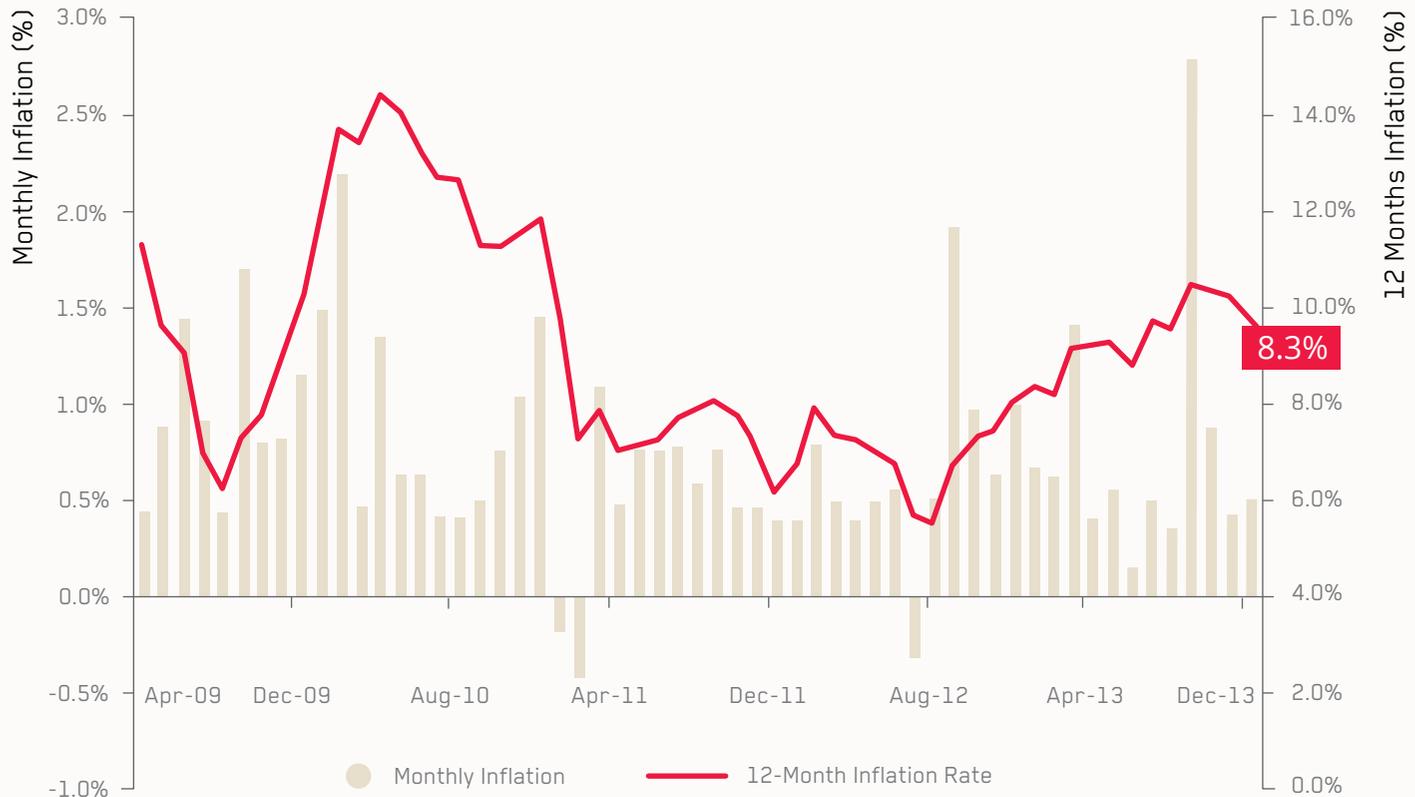


INFLATION

The 12 month inflation ended the fiscal year at 8.3%, a slight decline from the 9.1% of the previous fiscal year. The slight decline in the inflation over the fiscal year reflects primarily a weaker demand base during the fiscal year. The exchange rate had significant upward pressure on inflation with a rate of depreciation of approximately 11% over the course of the fiscal

year. International commodity prices on a whole remained largely unchanged as the world economy was on a path to a slow recovery. Upside price pressures also came from adjustments to utility tariffs during the year. Nevertheless the impact of slow demand offset a large portion of the price pressures.

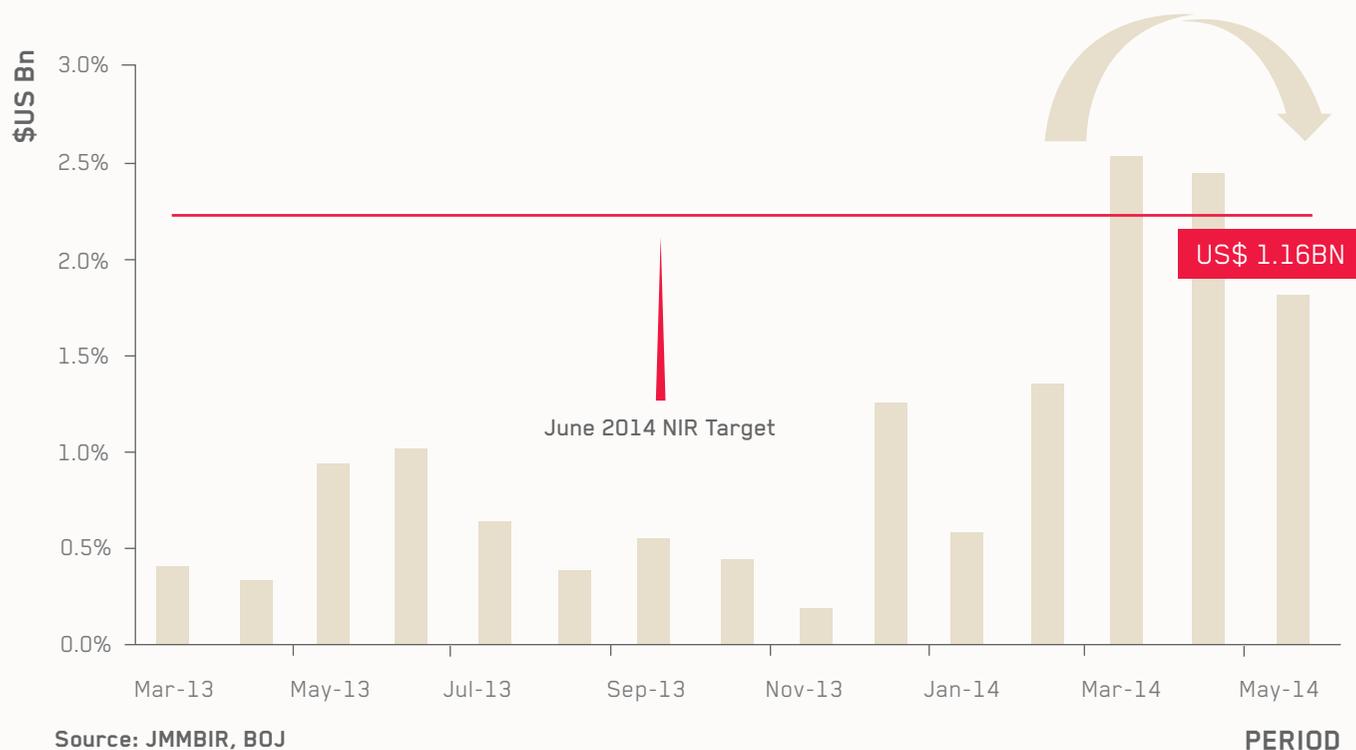
Price Movements (April 2009 to Mar 2014)



Source: JMMBIR, STATIN



Net International Reserves: (March 2013 to May 2014)



EXCHANGE RATE AND THE NET INTERNATIONAL RESERVES

During the fiscal year the exchange rate faced tremendous depreciating pressure due to both external and internal factors, consequently the exchange rate depreciated by 11%. The external factors that negatively impacted the currency were a slowdown of multilateral loan support within the context of a delay in the IMF program, low foreign direct investment inflows, low private capital inflows and weak foreign exchange earnings from the productive sector (Bauxite, Alumina, Tourism and Remittances). Domestically, the deterioration in confidence resulted in investors accumulating foreign currency as a hedge against

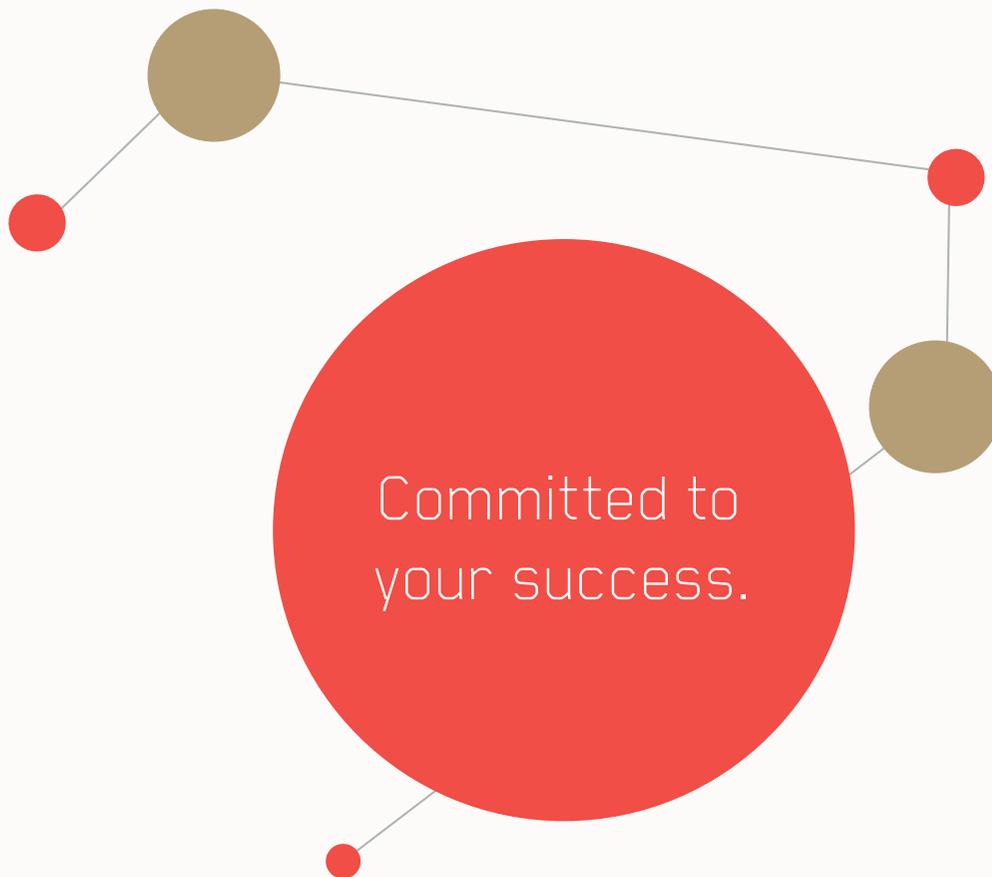
expected depreciation in the currency. Confidence deteriorated given the sharp reduction in the NIR, which reduced the BOJ's capacity to defend the exchange rate. The self-reinforcing factor was that the Bank of Jamaica, facing a reduction in the NIR, had to enter the market to buy foreign exchange to sure-up the NIR.



INTEREST RATES

Interest rates increased gradually over the fiscal year. Benchmark interest rates (6 months on Treasury bills) rose by approximately 272 basis points between April 2013 and March 2014. Higher interest rates came within the context of tighter liquidity conditions locally, a slowdown in quantitative easing by The US Federal Reserve and the deterioration in confidence locally. The Bank of Jamaica (BOJ) conducted numerous open market operations to tighten liquidity in the financial system in a bid to manage exchange rate volatility. As the US Federal Reserve reduced the rate of asset purchases and hinted at a rate hike

in a few months, interest rates particularly in emerging market countries increased. The deterioration in confidence came within the context of the reduction in the NIR and the uncertainty around the continued progress of the IMF arrangement. The implementation of the Central Treasury Management System (CTMS) also resulted in a liquidity drag on the system. Long term changes to the nature of the financial market (such as changes to the repo business model) may have created short term pressure on interest rates as well.



FISCAL YEAR 2013/2014

For the first time in many years the government ended the fiscal year with a fiscal surplus. The surplus came primarily from unprecedented savings in March 2014. During the month of March 2014, the government managed to generate a fiscal surplus of approximately J\$26Bn, which is the largest fiscal surplus for any March period since 2003.

For fiscal year 2013/14 revenue and grants were approximately J\$10.2Bn below budget. This occurred primarily because of a J\$16.7Bn shortfall in tax revenues offset somewhat by a J\$6.5Bn over-performance of non-tax revenues. On the expenditure side, total expenditure has been reduced significantly below budget by approximately J\$19.7Bn. There was across the board cuts to expenditure inclusive of programs (J\$1.6Bn), wages and salaries (J\$891.7Mn), interests (J\$9.64Bn) and capital expenditure (J\$7.7Bn).

BUDGET 2014/2015

The increase in revenues is expected to come on the back of large increases in capital revenues for the upcoming fiscal year. Tax revenues are also expected to experience growth somewhere in the region of about 10%. The expected growth in tax revenues is inclusive of the estimated J\$6.7Bn in revenue enhancements. On the expenditure side the government intends to keep recurrent expenditure (excluding amortization) growing at, or below the rate of inflation, whilst slashing capital expenditure by approximately 8.3%. Wages and salaries are also being kept at 9.9% of GDP (IMF target is 9% by 2015/16). Overall the fiscal balance is expected to head into a slight deficit of approximately -0.6% of GDP and a primary balance of 7.5% of GDP.

Central Government Budget

| (J\$Mn) | PROV | BUDGET |
|------------------------|------------------|------------------|
| LINE ITEMS | 2013/14 | 2014/15 |
| Total Revenues / 1 | 396,979.4 | 428,371.1 |
| Tax Revenue / 1 | 343,836.0 | 377,601.00 |
| Non-Tax | 41,047.1 | 34,186.44 |
| Capital Revenue | 658.0 | 8,316.0 |
| Grants / 1 | 10,428.5 | 7,167.6 |
| Bauxite Levy / 1 | 1009.5 | 1,100.0 |
| EXPENDITURE | 395,241.7 | 438,577.2 |
| Recurrent Expenditure | 358,252.8 | 404,654.5 |
| Programmes | 91,971.7 | 110,281.1 |
| Wages & Salaries | 156,361.6 | 161,704.3 |
| Interest | 109,919.5 | 132,669.1 |
| Domestic | 68,728.9 | 81,242.6 |
| External | 41,190.6 | 51,426.5 |
| Capital Expenditure | 36,988.9 | 33,922.7 |
| AMORTIZATION | 106,640.2 | 100,775.3 |
| External | 76,604.2 | 76,540.6 |
| Domestic | 30,036.0 | 24,234.7 |
| TOTAL PAYMENTS | 501,881.9 | 539,532.5 |
| MEMO: | | |
| Primary Balance | 111,657.2 | 122,463 |
| % of GDP / 1 | 7.5% | 7.5% |
| Deficit | 1,737.7 | -10,206.1 |
| % of GDP | 0.1% | -0.6% |
| Nominal GDP / 1 | 1,488,763 | 1,634,000 |
| Wages & Salaries / GDP | 10.5% | 9.9% |

SOURCES: JMMBIR, MOF, IMF

/1 Estimates based on IMF data and JMMBIR



IMF: The government met all structural and quantitative performance criteria since the IMF program began in 2013.

Jamaica's Quantitative Performance Criteria (QPC) in J\$Mn unless otherwise specified

| (J\$Mn) INDICATORS | TARGET MAR 2014 | STATUS |
|---|--------------------|--------|
| FISCAL TARGETS | | |
| Primary balance of central administration /1 | 111.5 | Met |
| Tax revenue floor /1 (Indicative Target) | 357.5 | Met |
| Overall balance of public entities floor /1 | -7.4 | Met |
| Cummulative increase in central government direct debt /1 | 70.3 | Met |
| Cummulative net increase in government guaranteed debt (ceiling) /1 | -14 | Met |
| Central government accumulation of domestic arrears /4 | 0 | Met |
| Central government accumulation of tax refund arrears /5 | 0 | Met |
| Consolidated government accumulation of external arrears /6 | 0 | Met |
| Social spending floor (indicative target) /7 | 20.1 | Met |
| MONETARY INDICATORS | | |
| Net international reserves /6 /8 | 194.4 | Met |
| Net domestic assets /8 | -21.6 | Met |

NOTES

- 1) Cummulative flows from April to March
- 2) Based on data presented in the updated letter of Intent published February 2011, and BOJ data
- 3) Excludes government guaranteed debt and IMF credits
- 4) In US\$4 Millions. Includes debt payments, supplies and other committed spending as per contractual obligations
- 5) Includes tax refund arrears as stipulated by law
- 6) In US\$ Millions
- 7) Defined as a minimum annual expenditure on specified social protection initiatives and programmes
- 8) Cummulative change from the end of December



GROWTH

Gross Domestic Product grew by approximately 0.2% in 2013 relative to 2012. The marginal growth was driven by a 0.5% decline in Agriculture, Manufacturing (-0.8%), Food Beverage and Tobacco (-0.1%), other Manufacturing (-1.8%), Electricity and Water Supply (2.0%), Construction (2%), Distributive Trade (-0.1%), Hotels and Restaurants (0.9%), Transport Storage and Communication (0.2%), Finance and Insurance Services (0.5%) and Real Estate and Business Services (0.3%). Underpinning the sectoral performances was the recovery of the global economy, offset somewhat by the deterioration in confidence, the contraction of the central government and the tightening of liquidity conditions locally.

JAMAICA OUTLOOK

Growth is expected to remain low for a protracted period. The improvement in the world economy is expected to stimulate economic activity in the Tourism, Mining and Quarrying and Remittance sectors. Nevertheless, the contractionary impact of tighter fiscal policies will likely outweigh the benefit of the improvement in the world economy. The recently successful debt issuance by the GOJ should improve confidence in the local market. The US\$800 million should bolster the NIR, provide well needed US dollar flows which could serve to stem the pace of the recent currency depreciation and have a positive pass through effect to inflation.

For financial sector companies the potential inward shift of the yield curve could see balance sheet improvement and income statement profitability. This would help to offset the impact of the recent unbalanced taxes which have plagued the sector. The successful bond issuance has the potential to improve investor confidence both internally and externally and could see a easing of price pressures on the most vulnerable of the society.

We expect the fiscal authorities to keep on track with the IMF program regardless of the implications of doing so. Further the GOJ would have seen the rewards of their labour given renewed appetite for GOJ debt. As such, the fiscal deficit and primary balance are expected to improve overtime given the encouragement. Confidence could also halt rising interest rates, though our view must be balanced against external pressures from upcoming Fed rate increases projected for 2015.



Dominican Republic



THE JMMB BRAND IN DOMINICAN REPUBLIC is in its introductory stage, with growing market presence supported by new business lines and branches. Over the last financial year the focus for the brand in this jurisdiction was on mass media advertising, pushing both the reputation and experience of the Group. During the 2013 fiscal year, JMMB Puesto de Bolsa managed to increase brand awareness and ultimately sales achieving financial results that have broken all records reported in our 7 years of operations. The Dominican market is still new to the Securities Market, and JMMB Brand continuously brings innovation to the table. The challenge for this upcoming fiscal year is to further educate the general consumer on financial products that will be introduced for the first time in this market.

The Dominican Republic will be the pilot for the implementation of JMMB's Life Goal Centres, a truly innovative way of presenting the Client Service, which is an example of how we are delivering on our brand promise. The JMMB culture and values are understood and shared by Team Members and is at the center of all communication. The JMMB brand in the Dominican Republic is truly unique because of the cultural differences with the traditional Dominican Financial Sector.



POPULATION

10,415,000



GDP PER CAPITA

US\$10,059



INDUSTRIES

TOURISM
SUGAR PROCESSING
FERRONICKEL
GOLD MINING
TEXTILES
CEMENT
TOBACCO



Dominican
Republic



FISCAL & DEBT

The tax coffers of the government of the Dominican Republic (DR) will likely be buffered by a US\$360 million inflow due to the sale of two telecommunications companies; Tricom and Orange Dominicana. The total sale price should be in the region of US\$1.8 billion with the government collecting 20% of the total price along with payments pertaining to the registration of new capital. The general sentiment coming out of the DR is that President Medina has adopted, since taking office in 2013, an aggressive stance towards fiscal consolidation. Other positive contributions to the fiscal coffers include a rapidly expanding Gold Mining Sector and increased inflows from Tourism.

The taxation policy has also been aggressive with a 2 percentage point increase in the value-added tax rate, new taxes on a wide range of consumer goods and a freezing of public sector wages. The total effect of the new Medina measures has been a 10% overall cut in government expenditure.

The inflow of funds from the telecommunications deal combined with the President's aggressive fiscal stance plus Mining and Tourism inflows should reduce the DR's fiscal deficit from 5.6%

of GDP in 2012 to an estimated 1.8% in 2013 (source: BMI). The outlook for 2014 is a marginal widening of the deficit to 2% of GDP.

The DR's relatively low debt/GDP ratio of less than 40% means that the country has some room to absorb an increased deficit. However, the absence of a sufficiently deep capital market and a somewhat subdued appetite for increased debt issuance may limit that room.

On the political side, despite the President's aggressive stance and the pinch of taxation policies he remains popular. It is likely that President Medina is taking the approach, similar to most Latin American leaders, of heavy taxes in the early part of his term to be followed by a relaxation of the tight measures and increased social spending closer to the next election. Whatever his stance may be, he remains popular and his popularity may grow further if he is able to honour his promise of 400,000 new jobs over his five year tenor.

Dominican Republic Key Economic Indicators

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014F | 2015F |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Unemployment, % of labour force, eop | 15.6 | 14.1 | 14.9 | 14.3 | 14.6 | 14.7 | 15.0 | 13.5 | 13.0 |
| CPI, % y-o-y, eop | 8.9 | 4.5 | 5.8 | 6.2 | 7.8 | 3.9 | 3.9 | 4.5 | 4.0 |
| Lending rate, %, eop | 15.8 | 20.0 | 18.1 | 12.1 | 15.6 | 15.5 | 16.5 | 17.0 | 17.5 |
| Central bank policy rate, % eop | 16.0 | 9.50 | 4.0 | 5.0 | 6.75 | 5.0 | 6.25 | 6.25 | 6.75 |
| DOP / USD, eop | 33.20 | 35.43 | 36.15 | 37.35 | 38.67 | 39.92 | 42.70 | 43.20 | 43.59 |
| Depreciation (DOP/USD) | | 7% | 2% | 3% | 4% | 3% | 7% | 1% | 1% |
| Fiscal Balance, % of GDP | .2 | -4.0 | -3.3 | -2.9 | -2.4 | -5.6 | -2.0 | -2.2 | -1.9 |
| Primary balance, % of GDP | 1.9 | -2.3 | -1.8 | -1.6 | -1.1 | 1.0 | .9 | .8 | .7 |
| Current account balance, % of GDP | -5.2 | -9.9 | -5.0 | -8.4 | -7.9 | -6.7 | -3.4 | -2.6 | -2.5 |
| FDI Inflows, % of GDP | 27.8 | 31.3 | 35.2 | 36.3 | 38.0 | 41.9 | - | - | - |
| Net International Reserves, ex gold, USDbn | 2.5 | 2.2 | 2.9 | 3.3 | 3.6 | 3.2 | 4.4 | 5.0 | 5.5 |
| NIR Import cover, months | 2.2 | 1.6 | 2.8 | 2.6 | 2.5 | 2.2 | 3.5 | 3.7 | 3.8 |
| Govt. Debt, % of GDP | 18.3 | 24.5 | 28.4 | 28.7 | 29.8 | 32.6 | 38.2 | 40.2 | 41.7 |

Source: BMI, IMF, JMMBIR



ECONOMIC GROWTH

Growth in the DR is projected to remain robust on account of increased spending on infrastructural projects. Economic activity is set to be bolstered by a US\$61.7 million fibre optic network plan. The Dominican Republic's telecoms regulator announced the plan as a part of the government's 2014/15 biennial plan. The World Bank is scheduled to contribute US\$30 million to the project which should provide broadband coverage to 90% of the Dominican Republic population.

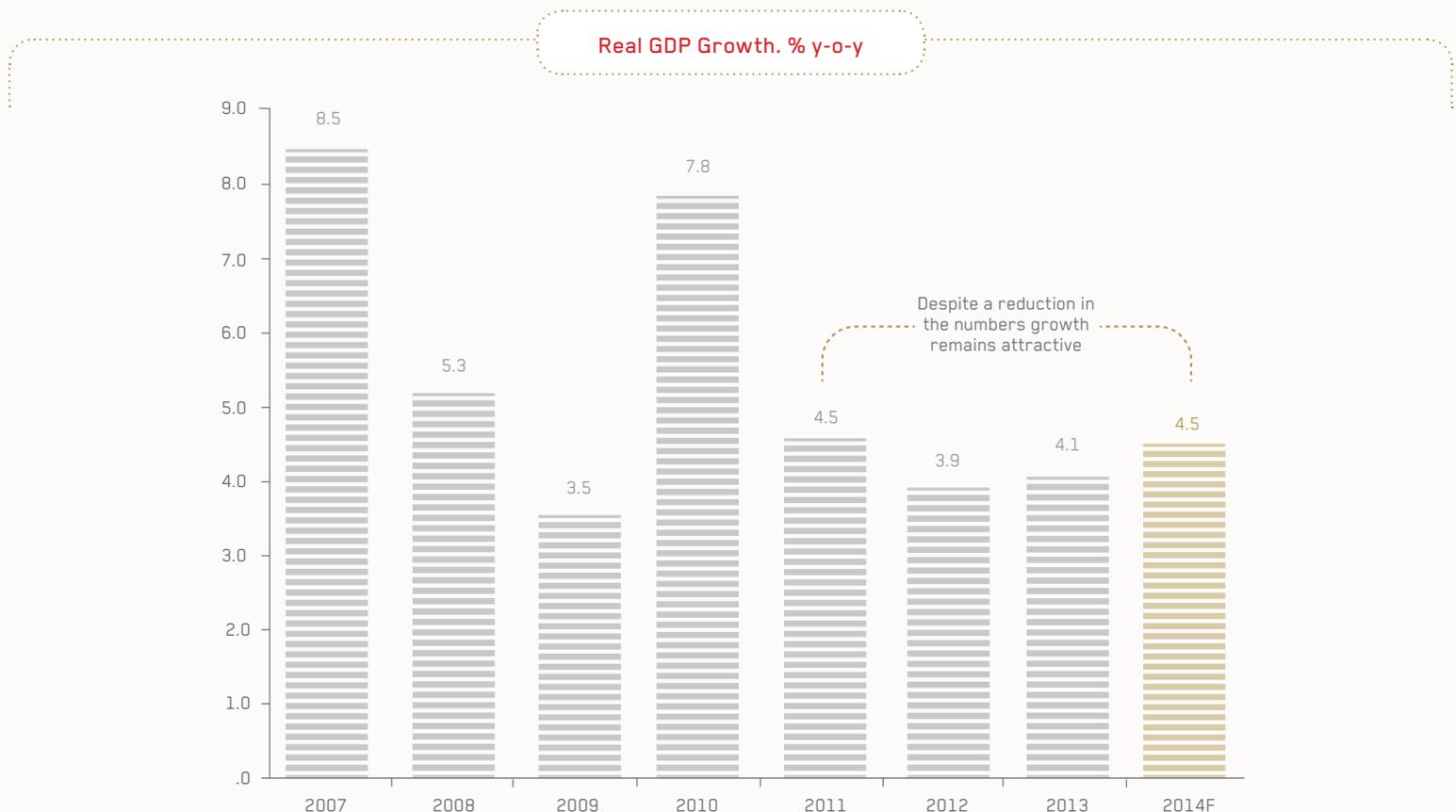
A new cruise shipping port is also scheduled for completion by 2015. The port should see an injection of US\$65 million into the economy in the initial phases with further inflows due to the increased capacity of the port. The port has been built to accommodate post-Panama expansion cruise sized vessels and should improve the attractiveness of the country's north coast as a holiday destination. Further visitor arrivals and spill-off

economic benefits should also ensue.

Recovery in the US should also be a positive for the DR with 60% of total visitor arrivals coming in from the US and Europe. Signs of recovery are showing with tourism revenue up 5.6% in 2013.

The country's mining sector has also been an aggressive driver of growth. Output from the Pueblo Viejo Mine, one of the largest in the world, increased by 151% in 2013. Rapid growth in gold output is projected to continue given the mine's significant reserves. This should mean further tax revenue inflows from royalties and export taxes for the government going forward.

Growth is projected to improve in 2014 to about 4.5% coming from 4.1% in 2013. The DR has generally been a high growth economy over the last decade however the global crisis has seen reduction of growth from its pre-08 lofty heights.



INFLATION & INTEREST RATES

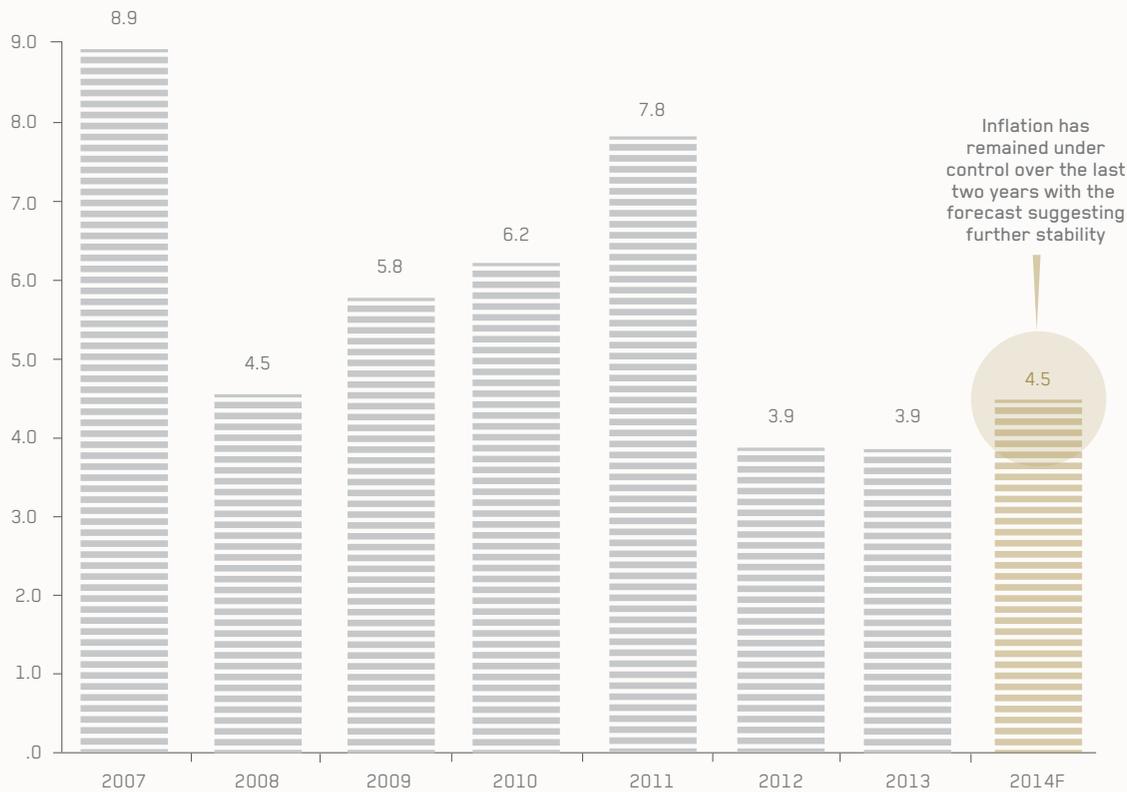
In 2013 there was an above average devaluation of the currency. The Central Bank responded with increased policy rates to stem the tide of the devaluation. Policy rates were increased by 125 basis points to close the year at 6.25%. Lending rates also increased by 100 basis points in 2013 as banks adjusted to the policy rates to maintain spreads.

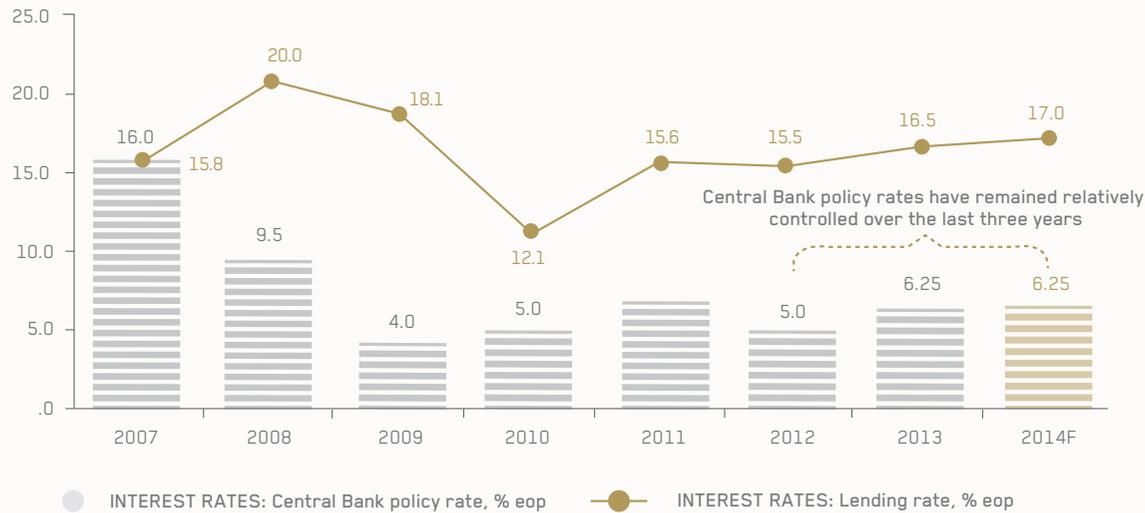
Despite the rate increase however, compared to historic trends the currency has remained relatively well behaved. Increased USD inflows from gold mining, tourism, and a consequent contraction in the current account deficit, has kept the movement

in check. Inflation has also remained subdued. The hard currency inflow has also meant that the government has had no need to be overly aggressive with increased interest rates to stem any possible pressure on the dollar. While policy rates increased by 125 basis points in 2013, the expectation is for rates to remain relatively stable at 6.25% in 2014.

Increased government spending combined with strong economic growth and low inflation should lead to increased consumer purchasing power. This should have a second round effect on growth through increased consumption.

CPI Inflation, % y-o-y, eop



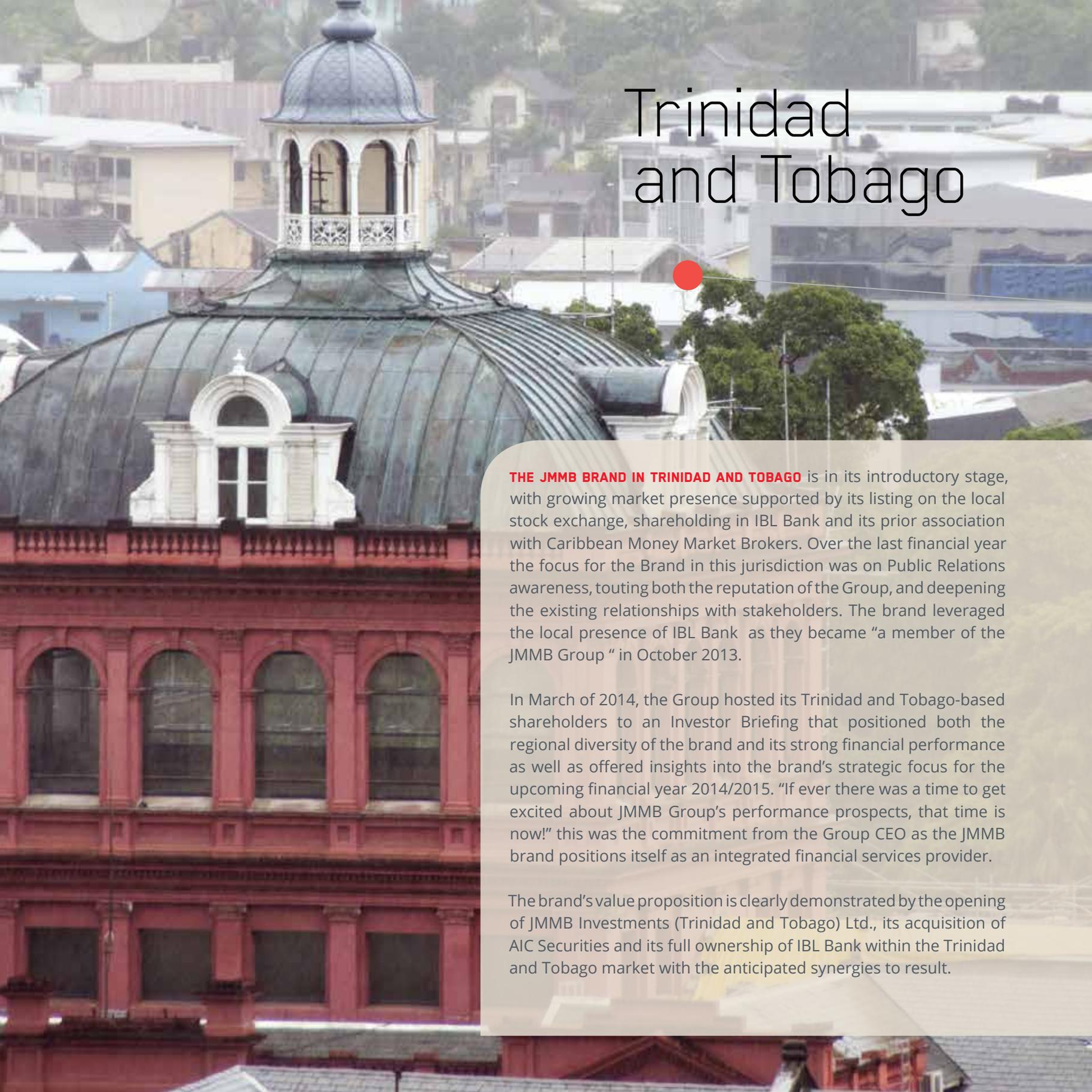


DOMINICAN REPUBLIC OUTLOOK

This year should be a positive one for the Dominican Republic. Decent growth, strong fiscal numbers, modest debt, increased public spending and political stability all augur well for the sovereign. The biggest challenge over the years has been any possible currency volatility which normally leads to increased

interest rates and some instability. Strong export growth from gold mining and inflows from a more diversified tourism product should help to ease any concerns. The risk of the global economy however remains, and while the USA does look somewhat solid in terms of its recovery, the Eurozone is still a concern.





Trinidad and Tobago

THE JMMB BRAND IN TRINIDAD AND TOBAGO is in its introductory stage, with growing market presence supported by its listing on the local stock exchange, shareholding in IBL Bank and its prior association with Caribbean Money Market Brokers. Over the last financial year the focus for the Brand in this jurisdiction was on Public Relations awareness, touting both the reputation of the Group, and deepening the existing relationships with stakeholders. The brand leveraged the local presence of IBL Bank as they became “a member of the JMMB Group “ in October 2013.

In March of 2014, the Group hosted its Trinidad and Tobago-based shareholders to an Investor Briefing that positioned both the regional diversity of the brand and its strong financial performance as well as offered insights into the brand’s strategic focus for the upcoming financial year 2014/2015. “If ever there was a time to get excited about JMMB Group’s performance prospects, that time is now!” this was the commitment from the Group CEO as the JMMB brand positions itself as an integrated financial services provider.

The brand’s value proposition is clearly demonstrated by the opening of JMMB Investments (Trinidad and Tobago) Ltd., its acquisition of AIC Securities and its full ownership of IBL Bank within the Trinidad and Tobago market with the anticipated synergies to result.



GDP PER CAPITA

US\$21,287



POPULATION

1,341,063

Trinidad and Tobago



INDUSTRIES

PETROLEUM
PETROLEUM PRODUCTS
METHANOL
STEEL PRODUCTS
AMMONIA
CEMENT



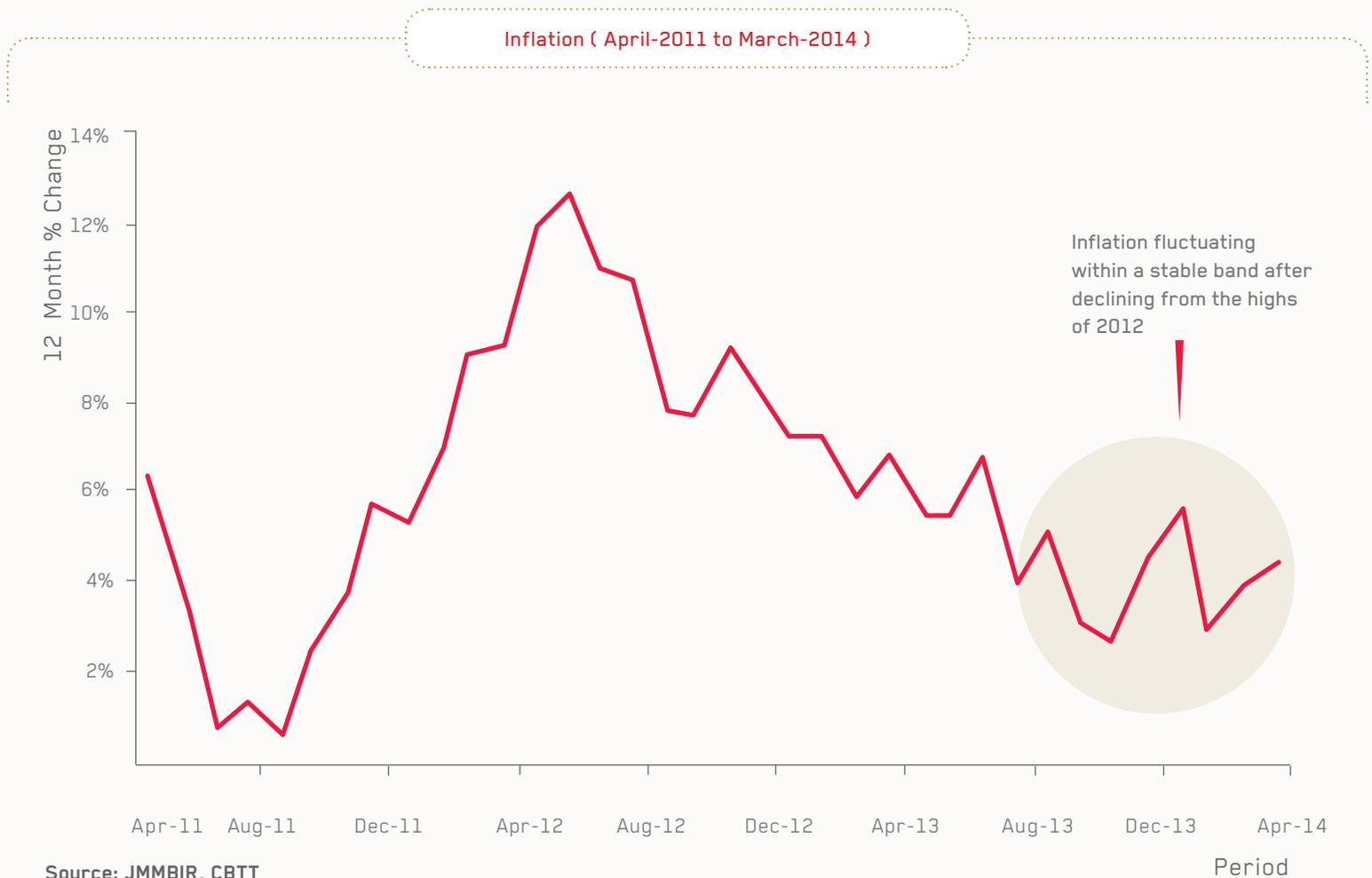
CURRENCY
TRINIDAD
AND TOBAGO
DOLLAR



INFLATION

During the fiscal year Trinidad and Tobago maintained relatively low inflation rates. The 12-month rate of inflation fluctuated between a high of 6.8% and 2.7% during the course of the fiscal year. At the end of the fiscal year the inflation rate was at approximately 4.5%. The inflation rate remained relatively stable within the context of continued low private sector lending, relative

currency stability (despite there being short term challenges) and very minimal supply disruptions due to adverse weather conditions. Low fiscal injections from the Central Government also created the environment for stable inflation.



EXCHANGE RATE AND THE NIR:

Fiscal year 2013/14 saw increased pressure in the foreign exchange rate market owing primarily to structural rigidities. The surfacing of the structural rigidities in the foreign exchange market came within the context of slower than usual foreign exchange earnings from the Oil and Gas sector and Manufacturing industries. The Oil and Gas sector has been impacted by the energy revolution in the USA and the implementation of routine maintenance at gas facilities over the course of the year. Weak demand from other emerging market nations negatively impacted manufacturing. The consistently high and growing levels of Net International Reserve (NIR) underscores the nation's continued strong capacity to maintain stability in the foreign exchange

market, and highlight the weakness due to market rigidities. On the positive side, the Central Bank has made significant changes to the market microstructure of the foreign exchange market during the year in a bid to democratize access to foreign exchange liquidity and ease foreign exchange market tensions. Nevertheless, one cannot discount the fact that there have been changes to the energy landscape worldwide that may force a change in the way Trinidad and Tobago does business. There have been massive discoveries of gas worldwide, and among the most notable competitors coming to the fore are Australia, USA and West Africa.

Trinidad and Tobago Net International Reserves (Jan-2010 to Mar-2014)



Source: JMMBIR, CBTT



INTEREST RATES

Interest rates in Trinidad and Tobago have remained relatively flat for the review period (Fiscal Year 2013/14). The repo rate has remained unchanged at 2.75% since September 2012 when it was reduced by 25 basis points. The 3-month Treasury Bill rate has also remained low at 0.06% as at the end of April 2014. The

historically low rates are a result of expansionary monetary policy aimed at jumpstarting economic growth. Rates in Trinidad and Tobago have been so low that on occasion the spread between Trinidad and Tobago, an A rated sovereign and the much higher rated United States at AA+, have on occasions been negative.

Trinidad and Tobago Interest Rates

VALUES AS AT

| Interest Rates (%) | Latest Period | Latest Value | Previous Month | Previous 3-Months | Previous Year |
|---|---------------|--------------|----------------|-------------------|---------------|
| Repo Rate | Apr-14 | 2.75 | 2.75 | 2.75 | 2.75 |
| Overnight Interbank Rate | Apr-14 | 0.25 | 0.25 | 0.25 | 0.25 |
| 3 Month T-Bill Rate | Apr-14 | 0.06 | 0.06 | 0.05 | 0.15 |
| TT/US 3 mnth T-Bill Rate Differential | Apr-14 | 0.03 | 0.02 | -0.01 | 0.1 |
| Basic Prime Lending Rate | Apr-14 | 4.9 | 3.4 | 0.7 | 0.9 |
| Weighted Average Lending Rate-New Loans | Apr-14 | 1.1 | 1.7 | 5.7 | 0.5 |

Source: Trinidad and Tobago Central Bank



ECONOMIC GROWTH

The year 2013 was one of recovery for Trinidad and Tobago. Overall economic activity came in above 2% for three of the last four quarters. The Non-Energy sector has been the main driver of growth with Construction, Manufacturing and Distribution the growth sectors. The Energy sector recorded mainly negative growth for the review quarters as maintenance-related shutdowns at multiple downstream plants and other planned stoppages stymied growth. Weak demand from Trinidad and Tobago's regional trading partners in CARICOM also meant a likely reduction in export growth.

Trinidad and Tobago would have also faced competition from increased oil and natural gas production in the USA through the use of oil fracturing, a technique which allows greater extraction from underground wells. Generally weak global economic activity, reduced travel and its consequence on Caribbean partners would have also meant a reduction in demand for Trinidad and Tobago produced commodities.

Trinidad and Tobago Real GDP Growth Rates

| | YEAR-ON-YEAR PER CENT CHANGE | | | | | |
|-----------------------|------------------------------|-------------|------------|------------|------------|------------|
| | Q4-2013 | Q3-2013 | Q2-2013 | Q1-2013 | Q4-2012 | Q3-2012 |
| Total | 2.1 | -0.4 | 2.3 | 2.4 | 1.0 | 1.6 |
| Energy GDP | 2.4 | -3.9 | 1.8 | 0.5 | 0.0 | 0.6 |
| Petrochemicals | 15.5 | -8.0 | -9.0 | -2.6 | -7.5 | -6.4 |
| Other Petroleum | 0.9 | -3.4 | 3.3 | 0.9 | 0.9 | 1.5 |
| Non-Energy GDP | 1.9 | 2.0 | 2.6 | 3.8 | 1.7 | 2.3 |
| Construction | 2.5 | 3.0 | 3.5 | 3.0 | 2.3 | 1.3 |
| Manufacturing | 2.1 | 0.3 | 4.9 | 3.4 | 0.7 | 0.9 |
| Distribution | 1.2 | 1.1 | 1.7 | 5.7 | 0.5 | 4.6 |
| Agriculture | -3.6 | 1.9 | 2.0 | 3.5 | 1.9 | 1.1 |
| CARIBBEAN | | | | | | |
| Barbados | 0.1 | 0.5 | 0.0 | -1.2 | -0.2 | -0.8 |
| Jamaica | 1.8 | 0.5 | -0.3 | -1.2 | -1.2 | -0.3 |

Source: TT Central Bank



TRINIDAD AND TOBAGO OUTLOOK

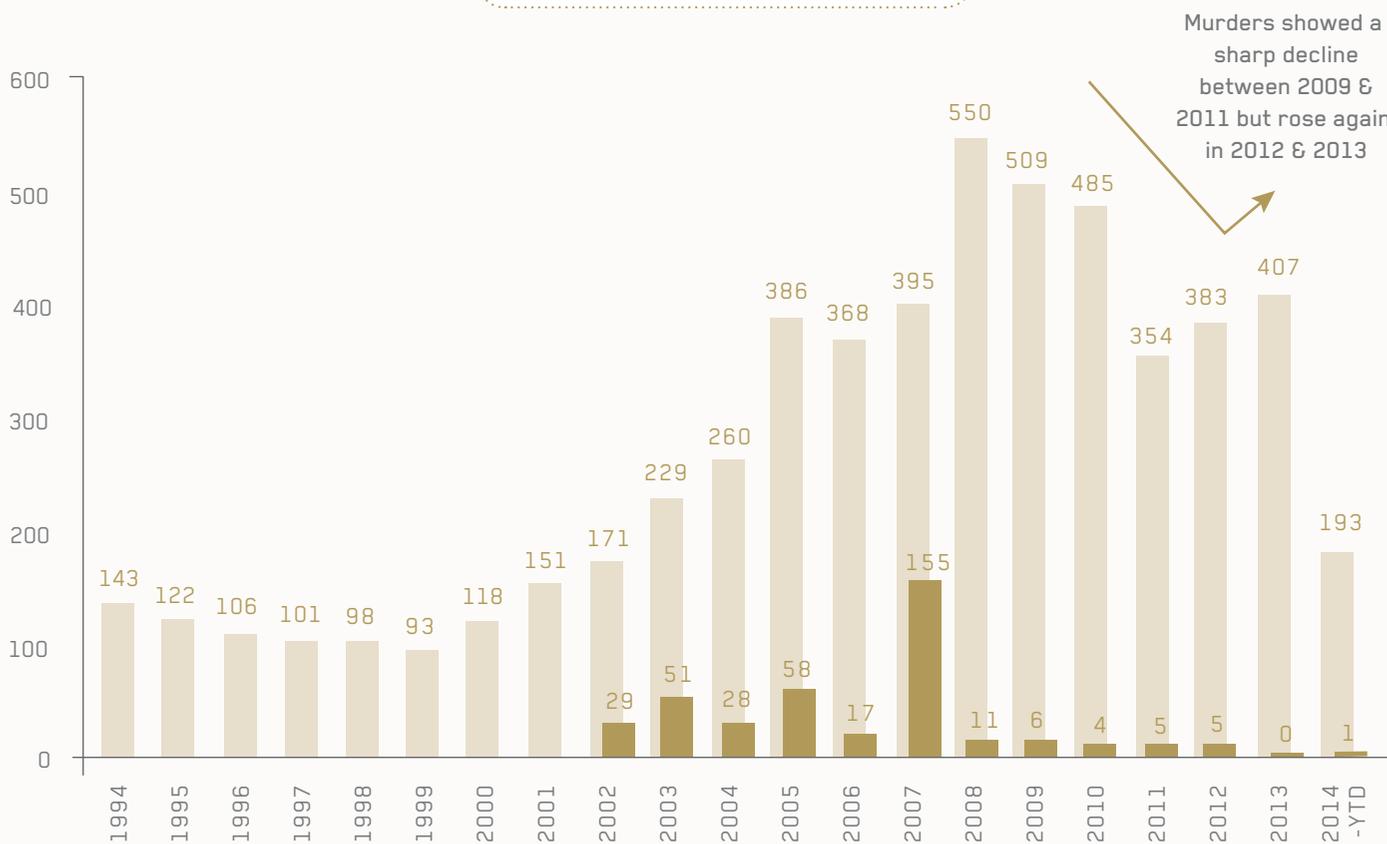
The outlook however is for decent recovery in economic activity as maintenance related shutdowns become less prevalent. Elections in 2015 are also expected to bolster growth as fiscal spending on construction and recent announcements by the Honourable Prime Minister, Kamla Persad-Bissessar of intentions to complete longstanding infrastructure projects should be a key positive.

Low interest rates should also continue to spur growth in consumer lending. Low interest rates combined with low inflation should improve consumer purchasing power. For Q1-2014 commercial bank loans to consumers grew by

9.2% y-o-y, a sign hopefully of things to come. Business lending was also up in Q1-2014 following months of decline. These factors have helped to improve business confidence which could later lead to an uptick in commercial lending and employment.

On the negative side, the scourge of crime should continue to hinder confidence in the business climate. Criminal activity has been on the increase with murders at 193 year to date representing an average in excess of 1 murder per day. There has also been one reported kidnapping compared to none reported in 2013.

Trinidad and Tobago Crime Statistics



Source: TT Crime Com

● Murders

● Kidnappings





Winning Solutions ·
Know-How · Growth



*Success is
when we
all come
together.*



Keith Duncan
Group CEO

JMMB Group Management's Discussion & Analysis

Fiscal Year 2013-2014

For the 2013/14 financial year, while the Group continued on a sound path of sustained growth in core profitability and continued diversification of our business lines locally and regionally, emphasis was also placed on consolidating and deliberately extracting further synergies and efficiencies from our acquisitions in Jamaica and completing our acquisition in Trinidad and Tobago. The team also made significant progress in implementing the foundational elements of our new Client Experience model which will be rolled out over the next three years and provides the anchor for our differentiated and unique service experience to clients across the region.

STRATEGIC SUCCESSES FOR THE 2013/14 FISCAL YEAR

Our key strategic successes throughout the 2013/14 financial year include:-

In Jamaica:

- The launch of the Preference share for JMMB Ltd., which was oversubscribed by 96% and raised a total of J\$1.47 billion. This overwhelming support highlights clients' confidence in the Group's strategic direction and this funding will be used to further execute our growth plans while strengthening our capital base.
- Continued successful integration of newly acquired Capital and Credit Financial Group (CCFG) entities into the JMMB Group, epitomized with the stabilization of the Merchant Bank's core revenues, profitability and healthy growth in the loan portfolio. For the financial year ended March 31, 2014, the Merchant Bank recorded net profits of J\$304.1 million, (15 months ending March 2013: J\$106.46 million) an increase of J\$197.66 million.
- The opening of the first integrated branch in Ocho Rios, with Insurance, Investments and Merchant Bank services in one location as well as the opening of our Brown's Town Agency - providing increased access and convenience for our growing client base.

- Continued enhancements to existing electronic services in Jamaica e.g. Enhanced Money Line¹, a new ETM in Liguanea, as well as the introduction of additional electronic service channels.



In Trinidad and Tobago:

- The official launch of JMMB Investments (Trinidad and Tobago) Ltd. (JMMBITT) in February 2014 and regulatory approval in April 2014 for the acquisition of AIC Securities with complementary lines of business spanning securities dealing, stock brokering and foreign exchange trading.
- The completion of the remaining 50% acquisition of InterCommercial Bank Limited and InterCommercial Trust and Merchant Bank Limited (IBL Banking Group) - the first commercial bank in the Group.

¹ JMMB online portal allowing clients to view accounts and conduct transactions .



In the Dominican Republic:

- Continued growth in our operations with Profit After Taxes of US\$10.4 million at the end of March 2014, representing a 61.63% increase over the prior financial year.
- The expansion of operations in the Dominican Republic with new offices in Santo Domingo providing increased access for our clients.

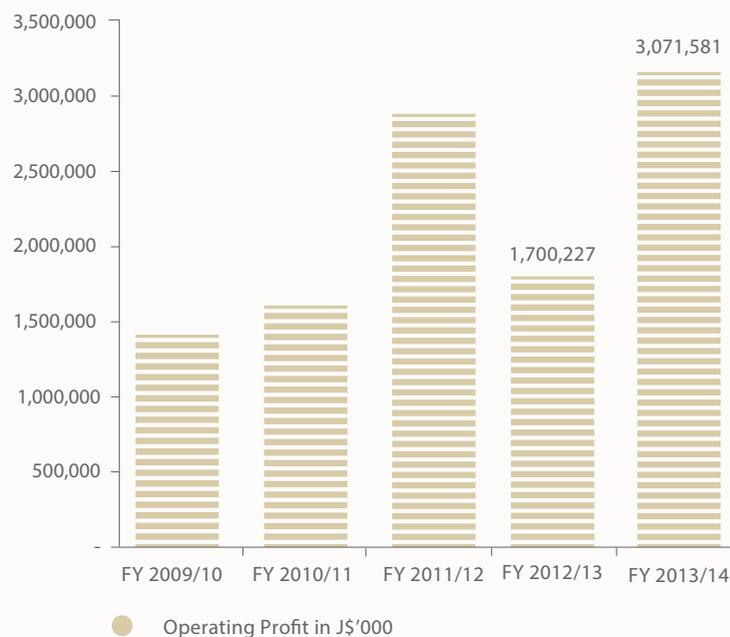
With all the building blocks in place, the Group is now poised to operationalize our 3-year strategy across each member company and roll-out our **Integrated Financial Services business model** across the region, building on our culture of client financial partnership as we optimize and re-engineer our processes to ensure that we offer an efficient, unique, effortless and value-added client experience.

GROUP FINANCIAL PERFORMANCE

The JMMB Group recorded a strong financial performance for the financial year ending March 31, 2014 with Profit After Taxes of J\$3.06 billion. While there was a reduction in Profit After Taxes compared to the prior financial year (2012/13 – J\$3.86 billion), excluding a one off gain from acquisitions, would reflect a positive increase of J\$792.1 million or 41.5%. It should however be noted that the financial results of the 2012/13 financial year reflected 6 months of financial results from the CCFG acquisition and the inclusion of IBL Banking Group as an associate company. The results for 2013/14 reflect a full year of the financial performance from the CCFG acquisitions and 6 months financial results of IBL as an associate Company and 6 months as a 100% owned subsidiary of the JMMB Group.

The Group's Operating Profit also showed an increase over the prior financial year from J\$1.7 billion in 2012/13 to J\$3.07 billion in 2013/14, a year-over increase of J\$1.37 billion. It should however be noted that the results for 2012/13 were negatively impacted by a one-off loss of J\$754.27 million from the Group's participation in NDX whilst the results for 2013/14 was positively impacted by gains from securities trading in the DR of US\$8.64 million (2012/13: US\$5.41 million) as the team took advantage of market opportunities.

Operating Profit in J\$'000



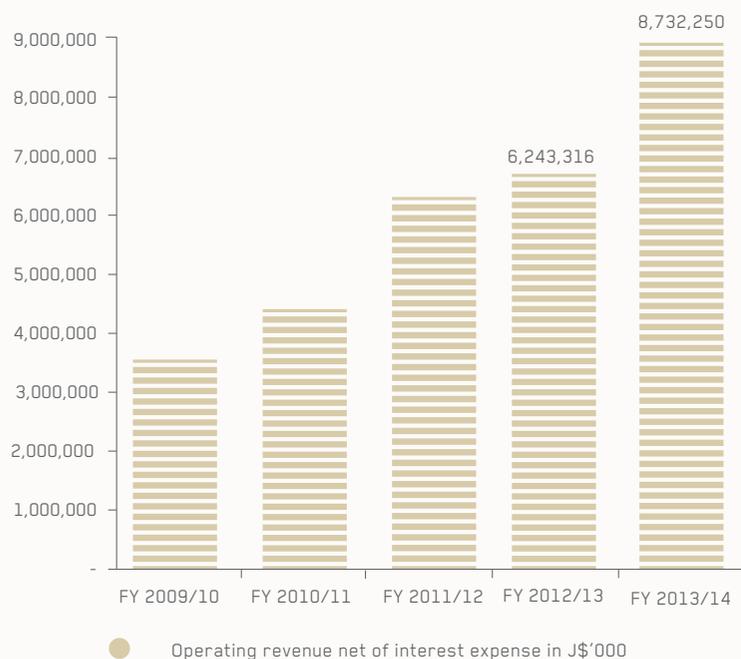
Country Contribution

Despite the challenging economic environment, our operations in Jamaica continue to achieve positive results, contributing J\$1.53 billion to the Group's results. Additionally, our deliberate strategy of regional diversification continues to increase shareholder value with our operations in the Dominican Republic producing strong results and contributing over J\$1 billion to the Group, driven mainly by growth in gains on securities trading as the team increased their volume activity and took advantage of market opportunities. In Trinidad and Tobago, the Group finalized the acquisition of the remaining 50% of the share capital of IBL Banking Group for US\$8.75 million (J\$916.04 million), thus making IBL a 100% subsidiary of the JMMB Group. IBL, though impacted by a one off provisioning on its loan portfolio in the first quarter, contributed Net Profit of TT\$9.67 million (J\$156.47 million) to the Group's results which reflect 6 months financial results of IBL as an associate Company and 6 months as a 100% owned subsidiary of the JMMB Group.

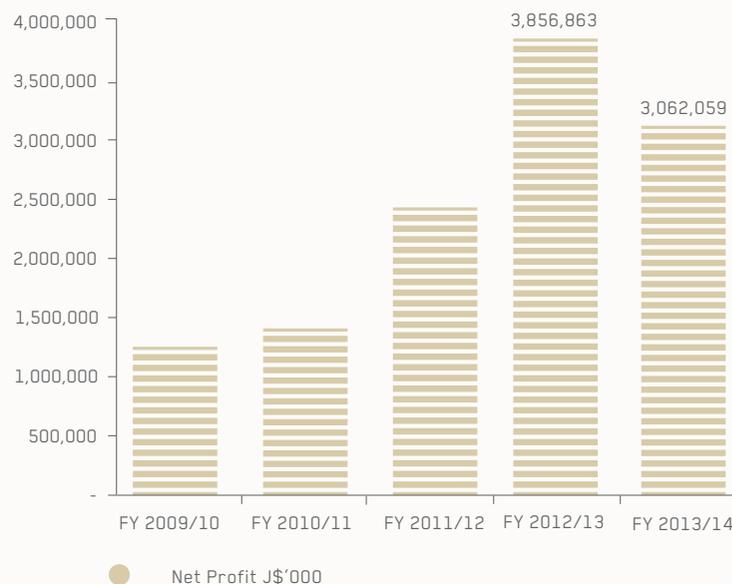


TOTAL OPERATING REVENUES continued on an upward trajectory, growing from J\$6.24 billion to J\$8.73 billion, an increase of \$2.49 billion or 39.90%. This performance was driven mainly by continued growth in Net Interest Income (NII) and increased gains on securities trading mainly from our operations in the Dominican Republic. Gains on securities trading grew by J\$633.12 million (2013/14: J\$2.33 billion compared to 2012/13: J\$1.69 billion), with our operations in the Dominican Republic contributing approximately US\$8.28 million to the results. Additionally, there were increases in revenue lines such as: foreign exchange margins from foreign currency trading which grew by J\$265.90 million, fees from managed funds which grew by J\$41.22 million and other fees and commission which grew by J\$179.62 million.

Operating Revenue in J\$'000



Net Profit in J\$'000



NET INTEREST INCOME (NII)

The Group's Net Interest Income (NII) showed positive growth year-over-year moving from J\$4.65 billion to J\$5.26 billion, an increase of J\$614.79 million or 13.23%. This increase was driven mainly by growth in our newly acquired JMMB Merchant Bank in Jamaica and expanded business lines through acquisitions of IBL Banking Group, coupled with effectively managing the Group's investment portfolio and cost of funds. In light of the forecasted interest rate environment, the Group will continue its prudent approach to managing its investment and loan portfolios as well as cost of funds to maximize its net interest margins while diversifying income streams.

EFFICIENCY

While generating continued growth in profitability, management remains cognizant of the need to continue to prudently manage its operating expenses. For the financial year, **Administrative Expenses** increased by J\$1.05 billion from J\$4.62 billion to J\$5.67



billion due mainly to operating costs from the entities in the Capital and Credit Financial Group (CCFG) acquisition – full year of expenses in 2013/14, the acquisition of IBL Group, integration costs, growth in subsidiaries in the regional markets and normal inflationary increases. Despite this increase in expenses, the Group continues to effectively manage its operations as the Group's efficiency ratio (administrative costs as a percentage of operating revenue) improved to 64.86% compared to 73.08% in the 2012/13 financial year. As we roll out our new Integrated Financial Services model across the region and garner further synergies and efficiencies from our various acquisitions across the Group we believe that our operational efficiency will improve while we continue to grow our revenue at a faster pace relative to the growth in our expenses.

CAPITAL ADEQUACY

Under the Financial Services Commission's (FSC) and the Bank of Jamaica's (BOJ) regulatory framework, our securities and banking operations are required to maintain appropriate unconsolidated risk-weighted Capital Adequacy Ratios.

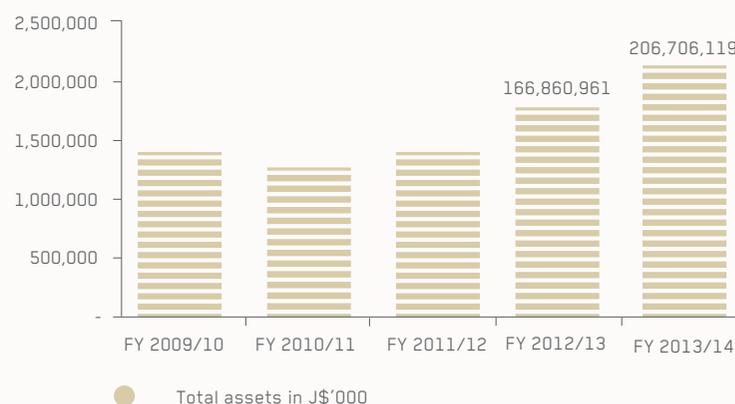
JMMB Limited, the investment arm of the Group in Jamaica, ended the financial year with a capital to risk weighted asset ratio of 16.95% whereas the FSC benchmark stipulates a minimum of 10%. At the same time, JMMB Merchant Bank Limited reported a ratio 18.12% which exceeds the minimum regulatory requirement of 10%.

TOTAL ASSETS

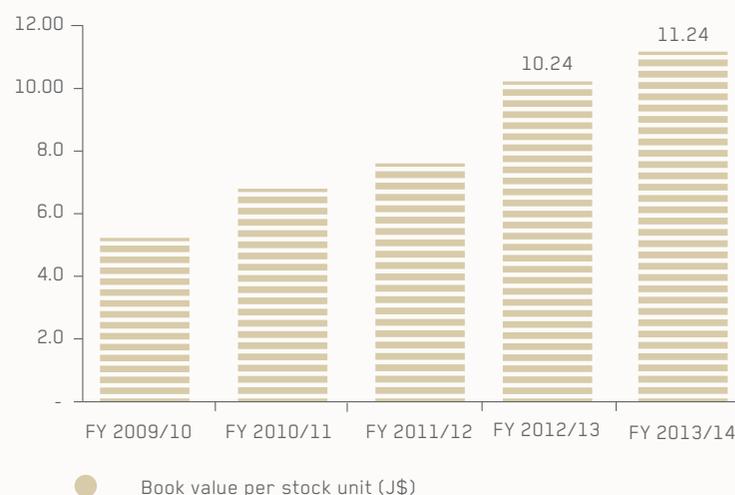
The JMMB Group's **Asset base** increased by 23.88% or J\$39.85 billion to J\$206.71 billion over the period. This increase in assets was due mainly to acquisition of the IBL Banking Group which contributed J\$28.40 billion.

The Group's Book Value per stock unit showed a significant increase over the previous financial year and is at its highest since the company listed on the Jamaica Stock Exchange (JSE). Book value per share of common stock came in at J\$11.24 up from J\$10.24 in 2012/13. The stock's closing price on the JSE as at the end of financial year stood at J\$7.04, indicating significant value for existing and prospective shareholders.

Total Assets in J\$'000



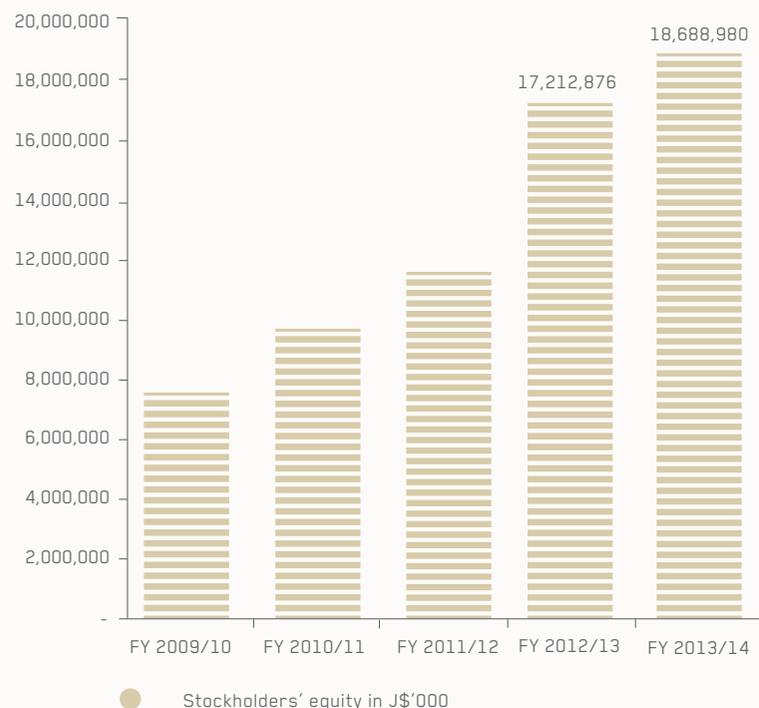
Book Value per Stock Unit in J\$



Shareholders' Equity stood at J\$18.69 billion as at the end of the financial year. This is the highest in the Group's history and shows a J\$1.48 billion or 8.58% growth over the previous year's results. This solid capital base reflects the Group's continued strength and is a critical ingredient for future growth.



Shareholders' Equity in J\$'000



SHAREHOLDERS' RETURNS

Total dividend paid and proposed in respect of the 2013/14 financial year amounted to J\$538.08 million, an increase of J\$163.05 million or 43.48% when compared to the results of the previous financial year. Our performance continues to drive positive shareholder returns and we remain committed to achieving long-term earnings, growth and increased returns to our shareholders.

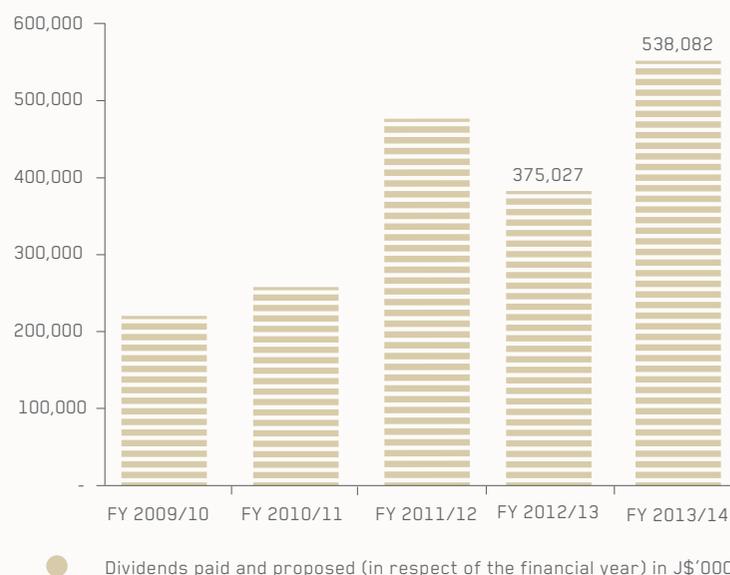
PERFORMANCE BY COUNTRY AND STRATEGIC DIRECTION FOR 2014/2015

JAMAICA OPERATIONS

JMMB Investment Services Arm In Jamaica Asset Management Business Line

Throughout 2013/14 many of the factors that characterized 2012/13 continued, though they somewhat improved. The local market continued to experience relatively low confidence levels and economic growth of a very modest 0.4% even with the Government of Jamaica signing an IMF agreement.

Dividends Proposed and Paid in respect of financial year in J\$'000



In 2013/14, a combination of weak investor sentiment, a slowdown of multilateral support given the delay in the IMF programme, weak foreign exchange earnings and external financing shortfalls resulted in significant pressure on the exchange rate between the Jamaican dollar and the United States dollar. The exchange rate depreciated by approximately 13.4% between January 2013 and January 2014, which is above the 6.4% ten-year average. Depreciation continues despite Jamaica's success thus far with respect to the IMF targets.

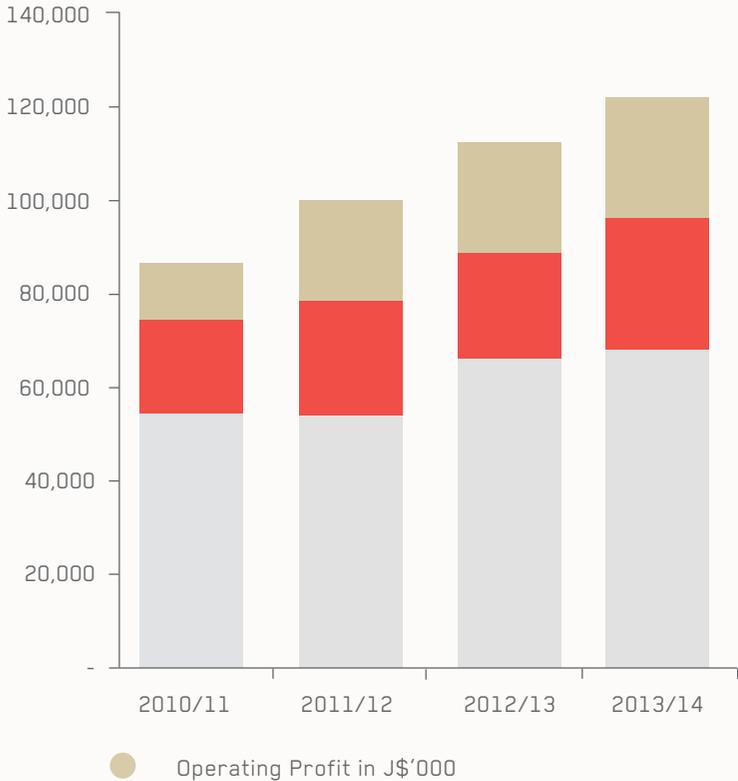
To mitigate the situation, the Central Bank of Jamaica continued throughout the year to engage in quantitative tightening to control the pace of depreciation of the exchange rate through the issuance of BOJ instruments to mop up liquidity. This action impacted Treasury Bill yields and capital market activity resulting in very little or no trading of GOJ local bonds. Short term interest rates (using 90 day Treasury Bill yields as a benchmark) rose from 6.68% in April 2013 to 8.35% in March 2014.

In addition the year saw increased inflation on account of a rapid depreciation in the exchange rate, high commodity prices and increased taxes. Some of the inflationary pressure was abated due to weak consumer demand and high levels of joblessness.



Against this challenging background, JMMB achieved overall growth in Client's Funds Under Management of 6.71%. The Broker clients accounted for most of the growth, having grown by 21.4% or J\$5 billion to J\$28.84 billion. The Corporate clients registered growth of 10.82% closing the year at J\$28.6 billion, while our retail segment remained relatively stable even with our effective off-balance sheet efforts, closing the year at J\$65.9 billion. The performance by client segment, in this environment, is a testimony to the fact that our Retail and Corporate client segments continue to receive the benefit of value added service and win-win opportunities and hence choose to maintain their cash portfolios invested with us.

Client FUM by Segment



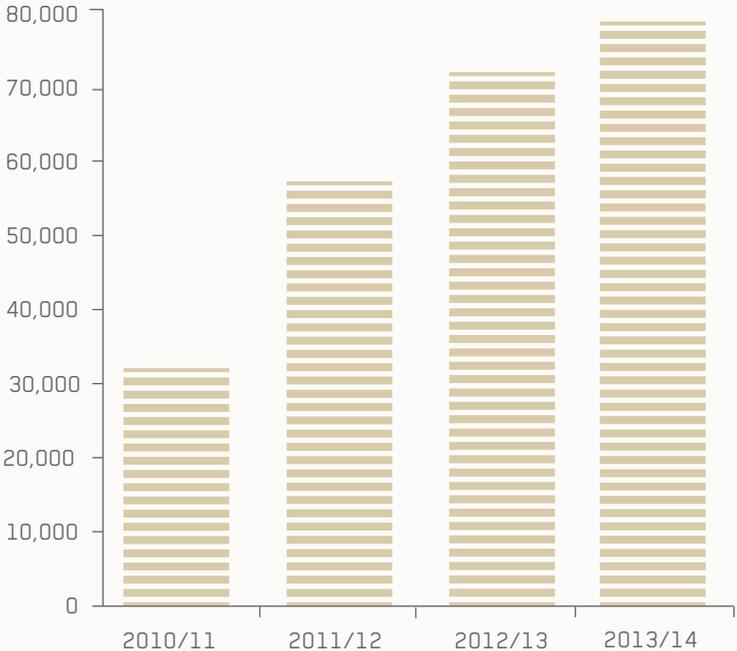
Cognizant of the market outlook for 2013/14 we further enhanced our portfolio offerings in order to improve our diversified

portfolio of assets to our clients, thereby expanding for them the extensive investment opportunities both inside and outside of Jamaica. This was achieved as we added over twenty (20) new sovereign, quasi-sovereign and corporate bonds covering the Caribbean and Latin America as a part of our offerings. In addition, in keeping with client's investment objectives, risk tolerance and investment horizon, the team focused on provision of our Unit Trust and other off-balance sheet products, including our new Smart Investor product. This effort saw us migrating by the end of March 2014 some J\$2.98 billion and US\$8.74 million from our repurchase agreement offering, to the off-balance sheet.

As clients benefited from the outright ownership of assets we were able to increase trading gains from client brokering activity. Growth in US\$ Bond volumes for our Retail clients increased year over year by 9.61% or US\$6.65 million.

Overall, we earned J\$968.4Mn from this business line, the majority of it being core earnings as client behavior shifted in response to market conditions and their investment objectives.

Retail Global Bond Volumes in US\$'000



JMMB Fund Managers Limited (Pension and Unit Trust business lines)

During the financial year 2013/2014 we were able to successfully expand MoneyLine access for Superannuation Funds acquired from the Capital and Credit Securities Limited (CCSL) portfolio integration. In addition, the company was re-branded to JMMB Fund Managers Ltd (formerly Capital & Credit Fund Managers Ltd.) to ensure we could take advantage of positive sentiment associated with the JMMB brand.

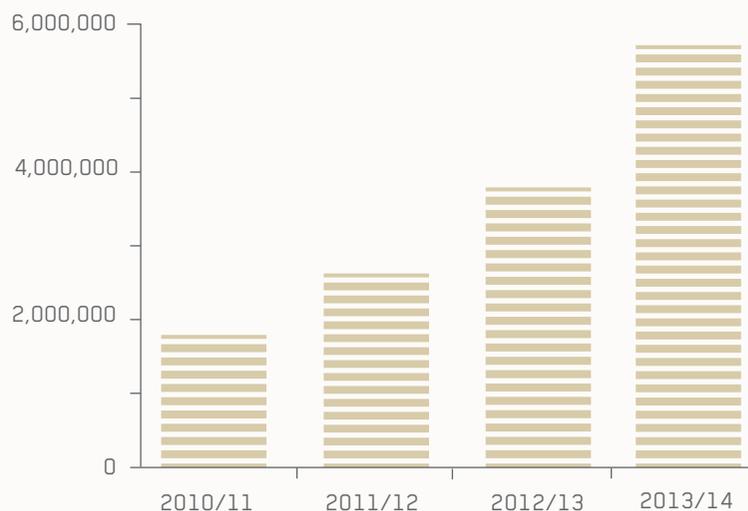
Positive changes occurred in the regulatory environment towards the end of the year. The Financial Service Commission (FSC) published proposed amendments to the Pensions Act for market review. Additionally, there was the passing of the Collective Investment Scheme (CIS) regulations which brought the statutory guidelines for Unit Trust and Mutual Funds under one Act, opening the door for industry players to expand product offerings by venturing into pooled unitized off-balance sheet investment solutions. Existing funds will have one year to conform to the new regulations, which include:

- The opportunity for non-inclusion of NAV calculation basis (Future vs. Historical pricing)
- Public disclosure requirements - publishing of quarterly financials for each fund
- Increased restriction on the borrowing of money by a CIS
- Modifications to reporting standards
- The ability for fees to now be quoted in United States Dollars

For financial year 2013/2014 there was an increase in overall Pension funds under management (FUM) of J\$1.64 billion or 42.7%. This was achieved in part due to increased sales and educational campaign activity highlighting the importance of retirement planning and widening the range of solutions (through the JMMB Retirement Schemes) for employees of corporate, small and medium enterprises (anyone without a formal pension plan).

In addition to Pension funds (Superannuation and Individual Retirement Schemes), JMMB Fund Managers (JMMBFM) presently manages three unit trust funds; the Giltedge, Income & Growth and Optimum Capital Funds with total Funds Under Management of approximately J\$3.45 billion. There was incremental growth of

Pension FUM in JA\$'000



14.75% year over year and is reflective of integration activities as the pre-existing JMMB frontline spent the year being educated on the solutions so that they could in turn offer those to existing JMMB clients. Consequently, JMMBFM ended the year with net profits of J\$21.63 million, a 65.1% increase over the J\$13.1 million² after tax profits for the 2013/2014 financial year. With this solid background we anticipate a significant increase in sales in future years, notwithstanding less than favourable economic conditions that may persist.

Equities Business Line

The Jamaica equity market in 2013/2014 was influenced by the following activities:

- 2 De-listings: First Caribbean International Bank (J\$107 billion) & Guardian Holdings (J\$55 billion)
- USD equity index advanced by 69% moving from 75.93 points to 128.57 points.
- 13 new listings (JSE)
- Launch of Junior Bond Market with 2 listings

² Number re-stated from what was shared last year.



As we had anticipated, despite the above developments there was a decline of 8.24% in the main index and we observed that low investor confidence, deteriorating macroeconomic indicators and the exchange rate depreciation resulted in a reduced number of individuals taking a position in this asset class. At JMMB, we benefited from corporate transactions and portfolio repositioning for our retail clients for medium to long term goal realization as well as specific equity portfolio strategies (growth and value versus dividend income). Through the offering of JMMB Fund Managers (Pension and Unit Trust portfolios) the JMMB Group has benefitted from their increased participation in the market thus supporting our trading volumes.

The stable environment across the regions supported diversification and influenced strategies for both our own portfolio and client portfolios. As an equity partner for our clients, JMMB continued to be a player on the regional markets offering this benefit to our deepened client base through JMMB Securities Limited (JMMBSL, our equities company).

As a result we saw trading volumes increasing year over year by over J\$4.2 billion or 35% and commissions earned by approximately J\$8 million. As at March 2014, JMMBSL was ranked 5th in volume and 3rd in value traded on the main JSE index and on the Junior Markets, JMMBSL ranked 3rd in volume traded and 2nd in value traded.

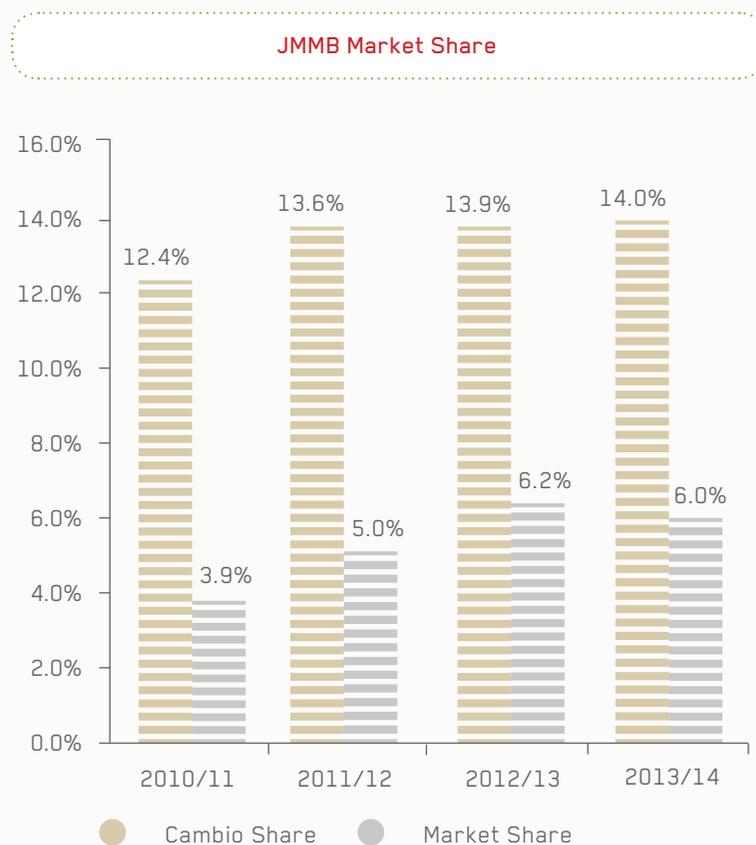
This year we anticipate some improved confidence in Jamaica. Improvements in the world economy are expected to stimulate economic activity and as such we expect that this will translate to some renewed energy and focus in this asset class. We will therefore continue to maximize on local and regional opportunities for our client base.

Cambio Business Line³

In 2013/2014 the Jamaican dollar again recorded high levels of depreciation against the United States dollar. Routine end-user demand, portfolio re-positioning requirements as well as balance sheet hedging strategies increased overall market volatility.

By utilizing the reach of our branch network, and highlighting efficiency in our execution capability and ensuring excellent

management of relationships with suppliers of USD, JMMB was able to maintain our market positioning year over year despite the challenging market conditions.



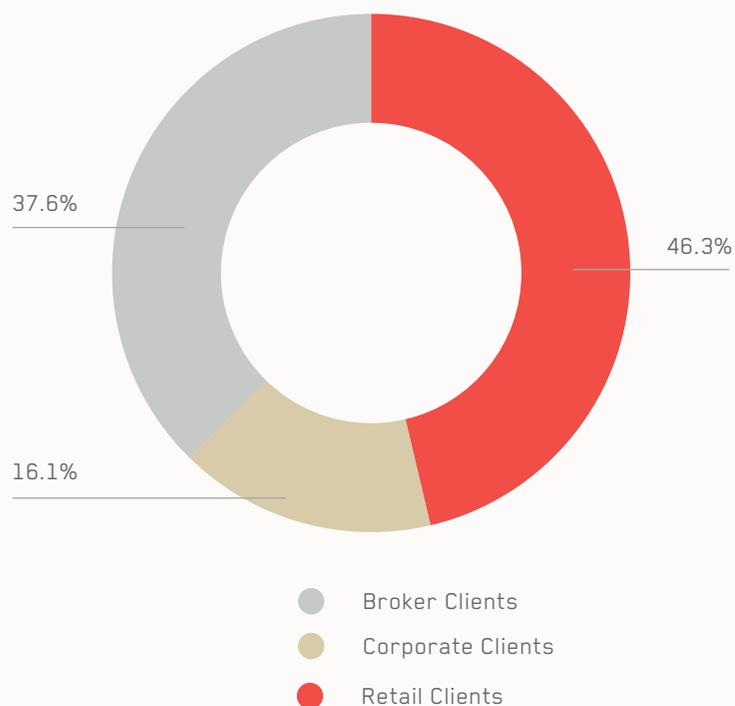
In looking ahead, given Jamaica's recent successes with respect to the passing of four successive IMF tests as well as the government's recent success in raising US\$800 million in the international market, we expect that 2014/2015 should see some improved confidence in Jamaica. This US\$800 million should serve to bolster the NIR and could serve to stem the pace of the recent currency depreciation, thus having a positive overall impact.

We aim to continue to maximize on our branch network and continue our efforts around strengthening our reach in the market. This will be achieved through our continuous thrust to

³ This excludes the volumes and revenues from our authorized dealers licence which is held under the JMMB Merchant Bank in Jamaica.



Contribution to Revenues by Client Segment



Julian Mair, JMMB's Group Chief Investment Strategist, speaks at the media briefing of the Epley Preference Share. Beside him are Epley's Director, Keith Collister and Managing Director Nicolas Scott.



create new relationships with companies, based on our assessment of the trading sectors locally and trading relationships regionally, in order to capitalize upon currency trading opportunities. We also continue to closely monitor the impact of the global regulatory environment on the operations of local cambio dealers.

CAPITAL MARKETS BUSINESS LINE

After several years of successfully executing major Capital Markets transactions, the Board of Directors of JMMB formally approved the establishment of our newest business unit – JMMB Group Capital Markets. The Capital Markets Unit strengthens JMMB's client value proposition and business model of being an integrated full service financial provider, offering innovative and customized financial solutions to clients in Jamaica, Trinidad and Tobago, the Dominican Republic and the wider Caribbean. During the year the team successfully closed a preference share offering for Epley Ltd. which was oversubscribed by 20% and raised over J\$ 361 million for the company.

In the near term, the Capital Market Unit is primarily focused on the provision of innovative solutions for the financing of structured trade related financing and local debt financing for the mitigation of exchange rate losses. We believe this Unit will further increase and diversify the Group's revenue stream and achieve more efficient use of capital through the offering of fee-based services and off-balance sheet transactions.





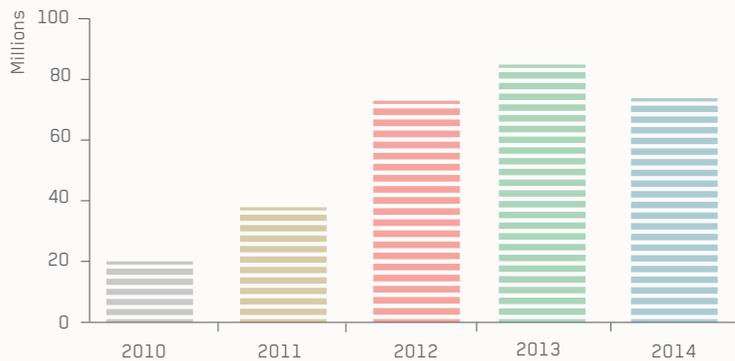
Cecile Cooper,
Managing Director,
JMMB Insurance
Brokers Limited

JMMB INSURANCE BROKERS LIMITED

Growth in Client Base, Sustained Profitability and Strong Capital Adequacy

In a year when premiums in the overall insurance market contracted against the background of several adverse economic factors, JMMB Insurance Brokers (JMMBIB) held its own in maintaining its market share of premiums and increasing our client base by approximately 13%. The sustained profitability over the last few years has significantly strengthened our capital adequacy position as it now stands at over 8.5 times the regulatory requirements, a key compliance indicator.

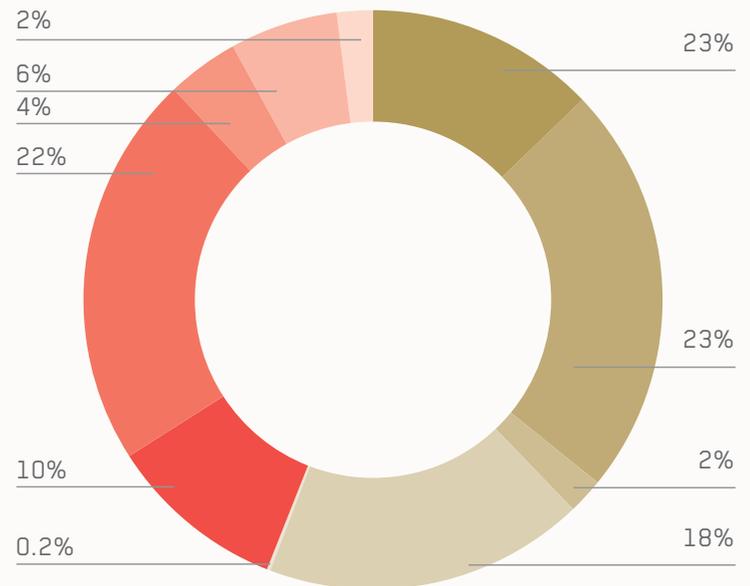
Commission and Fees



Retention of Existing Portfolio and High Level of New Business Referrals from Existing Clients

Despite fierce competition within the market JMMBIB enjoyed a high level of client confidence with many choosing to renew their existing policies as well as to refer new business to us. As a result, JMMBIB was able to achieve a higher than targeted renewal retention rate whilst some 33% of our new business for the year came from client referrals and existing clients increasing their business with us. We are particularly happy with this as an indicator of client satisfaction and client partnership.

New business by source - General Insurance



- Call In
- Walk In
- Team Member
- Referral - Investment
- Referral - Bank
- Promotion
- Own Source
- Networking
- Existing Client
- Client Referral



Clients Access Benefits from Exclusive Packages and Specially Negotiated Deals

Our level of cross-selling within the JMMB Jamaica Group has improved significantly, particularly with our banking clients taking advantage of the value added benefits to them from accessing specially tailored products brokered to fulfill their insurance needs. Our ability to continue to broker beneficial packages for our clients has been greatly enhanced this year as many of our insurers have acknowledged JMMBIB with tangible awards and recognition as a preferred broker. We intend to bring this value and recognition to bear in negotiating further deals for our clientele.

Significant Inroads in Automation of Processes to Improve Operational Efficiencies

In our continued drive to eliminate non-value added processes and to improve our overall service delivery, JMMBIB has eliminated several steps in the service chain through direct connectivity with Insurers allowing us to serve over 50% of our clientele through electronic data interfaces. This positively impacted our services delivery cost as we seek to continuously automate and optimize our processes.

During the year we embarked on a major initiative towards a paperless environment, the full impact of which will be felt in the ensuing year. This will not only serve our commitment to be eco-friendly but is also expected to release more of our productive capacity towards revenue generation which will allow us to grow our revenues at a faster pace.

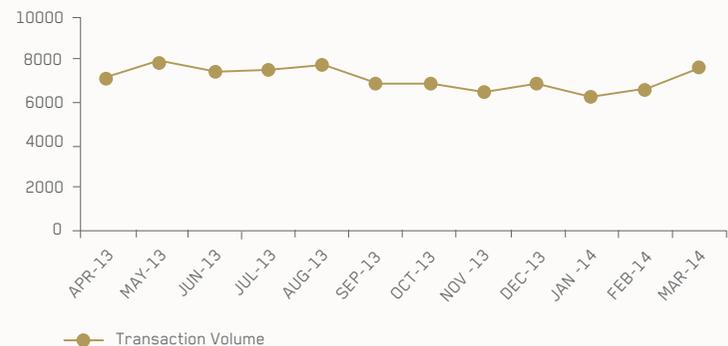
CAPITAL & CREDIT REMITTANCE LTD.

The remittance arm has seen an improvement year-over-year in the volume and value of remittances received. For the financial year ending March 31, 2014, Capital and Credit Remittance Ltd.'s after tax profits was J\$1.62 million which represents an increase of J\$7.22 million when compared to the previous year's after tax losses of J\$5.59 million. Capital and Credit Remittance Ltd. also recorded a slight increase in its market share in the financial year 2013/14 over 2012/13. While there was minimal expenditure on marketing and business development as we sought to stabilize the entity, the Company's brand name was changed to 'Reggae Money Express - A Member of the JMMB Group'.

Transaction Values in USD



Transaction Volumes



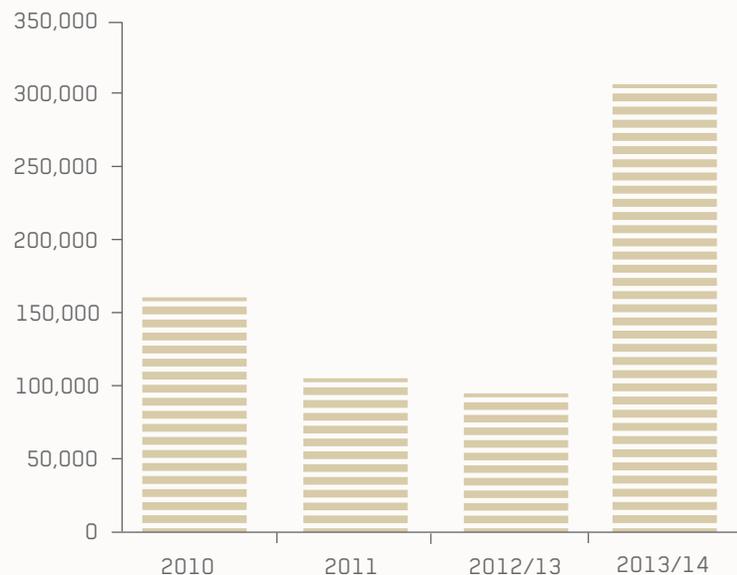
Consequently, there were increased flows from online US partner Xoom, Small World Europe (particularly from the UK) and Union Caribe in Aruba with over US\$19.31 million in inflows up from US\$18.6 million in the previous financial year. The team also recorded an improvement in its total transaction volumes which stood at 84,986 for the financial year, an improvement of 2,561 or 3.1% above the previous year with transactions via Xoom being the main contributor to the increased numbers. During the period, the risk and compliance framework for the remittance operations was fortified to mitigate an upsurge of transactions of a fraudulent nature affecting the remittance industry. The Compliance units of our overseas remittance partners have collaborated with us in an effort to eliminate the risk of the entities being used as vehicles for illicit activities.

JMMB MERCHANT BANK LIMITED

JMMB Merchant Bank (JMMBMB) formerly Capital and Credit Merchant Bank was rebranded in May 2013 in keeping with the overall strategy of integrating the Merchant Bank into the JMMB family and offering an extended suite of services to the client base. Significant strides were made towards stabilizing the company and establishing a sound foundation for sustained growth as we completed the foundation year to begin execution of the JMMB Group's three (3) year strategic plan. The overall strategy of improving asset quality and a stable diversified source of deposits was achieved and the Merchant Bank will continue on the path of offering a unique brand of banking to the sector with the implementation of our Integrated Financial Services model, partnering with clients to achieve their life goals.

For the 2013/14 financial year, JMMBMB recorded net profits of J\$304.12 million, (15 months ending March 2013: J\$106.46 million) an increase of J\$197.66 million. Total revenue for the financial year totaled J\$1.07 billion (15 months ending March 2013: J\$1.10 billion), representing a slight decrease of J\$28.05 million or 2.55%. However, when compared to the adjusted 12 month period of financial year 2012/13 of J\$926 million the team recorded an increase of J\$144 million or 15.5%. This performance compared well with the previous reporting period as income generated from core banking activities recorded growth driven primarily by growth in Net Interest Income (NII). The team recorded NII of J\$745 million for the financial year, an increase J\$141.94 million

Net Profit after Taxation



over the 15 month performance for the 2012/13 financial year. This reflects the growth in performing loans as well as tight management of the loan portfolio to prevent deterioration in quality.

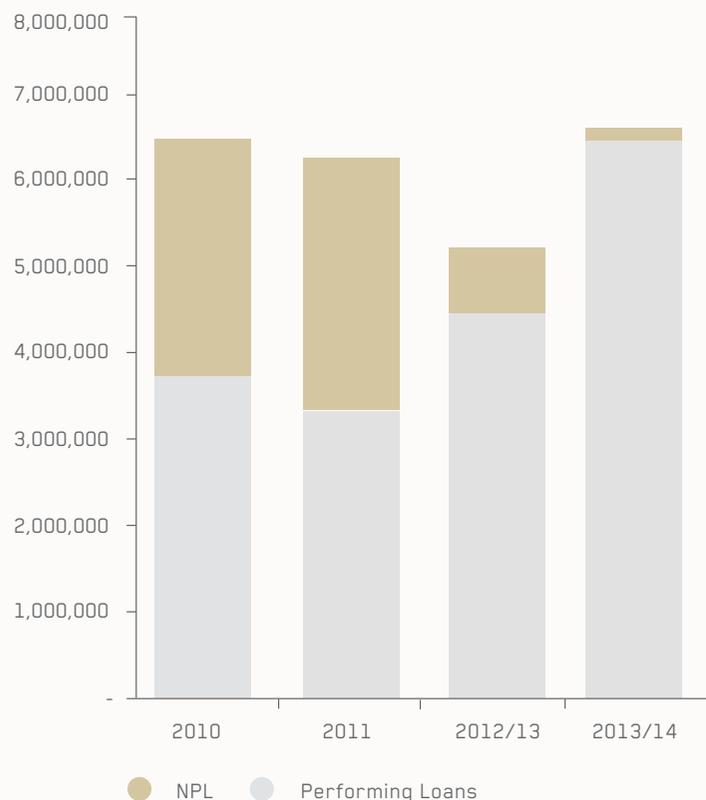
Overall other income decreased by J\$168.98 million or 34.11% due mainly to reduction in revaluation gains. If, however, core banking activities of loan fees and Foreign Exchange Trading tempered the impact of the decline, recording growth over the previous financial year. Loan fee income grew by J\$16.91 million to J\$46.87 million (15 months ending March 2012 J\$29.96 million) as momentum in loan growth increased throughout the year. Administrative Expenses declined by J\$245.12 million or 23.07% (15 months ending March 2012 J\$1.06 billion) as the team pursued tight management of expenses relative to revenue growth with the main saving occurring in provisions for loan losses which declined by J\$159 million or 107%.



Total Assets

The Company's total assets increased year-over-year by J\$5.93 billion or 28% to J\$27.01 billion (15 months ending March 2013: J\$21.07 billion). Growth took place primarily in loans and investment portfolios as the refocus on core banking was pursued for the period. The Bank's loan portfolio stood at J\$6.78 billion (15 months ended March 2013: J\$5.08 billion), year over year growth of J\$1.70 billion or 33.46% while the performing portfolio stood at J\$6.7 billion (March 2013: J\$4.6 billion) recording growth of J\$2.02 billion or 48.00%. Non-Performing Loans (NPLs) as at March 31, 2014 totaled J\$96 million (March 2013: \$561 million), representing 1.41% (March 2013: 11.04%) of total loans. NPLs as a percent of total assets, ended the year at 0.35% (March 2013: 2.66%) which is well within industry benchmark. The decrease in NPLs was due to recoveries and sale to a special purpose entity, coupled with prudent growth and management of the performing loan portfolio. New conversions to NPLs were kept at a minimum despite significant growth in the loan portfolio.

Non Performing Loans (NPLs)



Customer Deposits



Deposit Performance

Total liabilities grew by J\$5.15 billion to J\$21.50 billion. Deposits grew by J\$2.90 billion or 36.6% and stood at J\$10.82 billion as at March 31, 2014.

Shareholder's Equity

JMMBMB currently maintains a sound capital base to support the growth strategies in the upcoming financial year. This base contributes to safety for the Company's clients, and fosters investor confidence, while facilitating the opportunity to grow the business line. The Bank's capital adequacy ratios, a measure of the Group's overall strength, exceed the regulatory requirements. Total shareholders' equity stood at J\$5.51 billion as at March 31, 2014, representing an increase of J\$784.60 million or 16.6% over the amount at March 31, 2013 of J\$4.73 billion.

Retail Banking

Having refocused on core banking activities, JMMBMB was successful in competing in the retail banking market which resulted in growth in the retail business. This remains consistent



with JMMB core strengths of banking clients across a wide cross section thereby diversifying both credit and deposit risks. The overall success in retail growth was supported by a number of key initiatives aimed at delivering on our commitment to clients through strategic partnerships and the wider JMMB network.

Corporate and Commercial Banking

The Bank recorded growth in both loans and deposits in the Corporate and Commercial space. The market responded well to the unique value proposition centered on helping clients to drive growth and manage productivity in the respective sectors. We continue to manage the growth in this sector to ensure diversification across industries and business size.

Treasury

The Treasury team returned positive results during the year. The Bank was successful in navigating market liquidity challenges with support from the JMMB Group, a testament of the continued strength of the Group.

Jamaica Strategic Focus 2014/15

The key areas of focus for JMMB Jamaica over the upcoming financial year include:

- **Rolling out our Integrated Financial Services model, expanding the Branch Network, providing enhanced multi-channel options and delivering a new Client Experience:** The overall success of the Investments arm, the Bank and the Insurance Brokerage is to be enhanced with the roll out of two additional Integrated Financial Services centres in Year one. Our 'Financial Life Goals Centres' will deliver a unique branch experience grounded in JMMB's differentiated service delivery model in a 'warm, family setting' that is 'effortless and convenient' to our clients.
- **Partnering with our clients:** JMMB's approach to financial planning will be enhanced to ensure comprehensive needs discovery and solutions across business lines in Bank, Investments and Insurance. Creative solutions will be offered as we journey with our clients en route to achieving their life goals, with our suite of products tailored to meet their holistic financial needs.

- **Continuing to build sustainable core revenues and profitability:** The Jamaica entities will continue to build momentum following up on the strong finish to the 2013/2014 financial year with sustainable profitable growth, as JMMB moves to become an Integrated Financial Services provider in Jamaica – enabling effective cross-selling and upselling opportunities through Client Partnership.



Guillermo Arancibia,
Country Manager,
Dominican Republic,
Puesto de Bolsa

REGIONAL PERFORMANCE

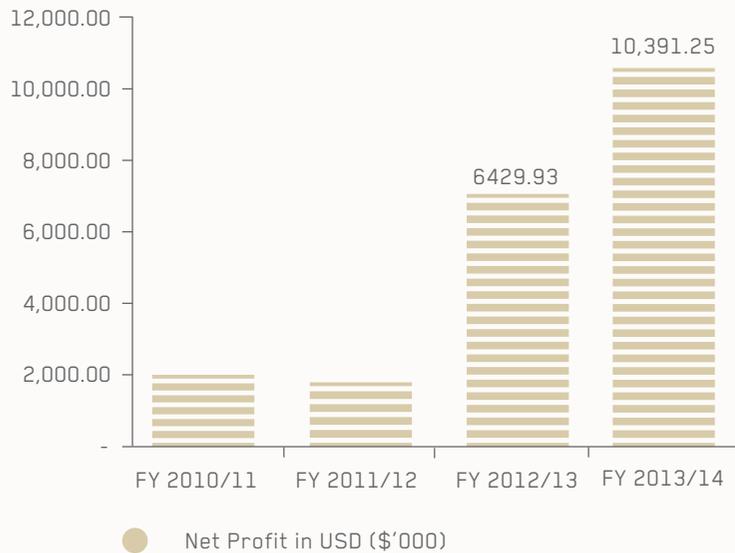
Operations In The Dominican Republic

Despite the challenges in the regulatory environment and the periods of instability in the market, the team in the Dominican Republic generated strong results for the financial year. For the 2013/14 financial year the team posted Net profit of US\$10.39 million, an increase of US\$3.96 million or 61.61% - the highest in the Company's history and the highest level of profit for a securities company in the DR. This significant growth was

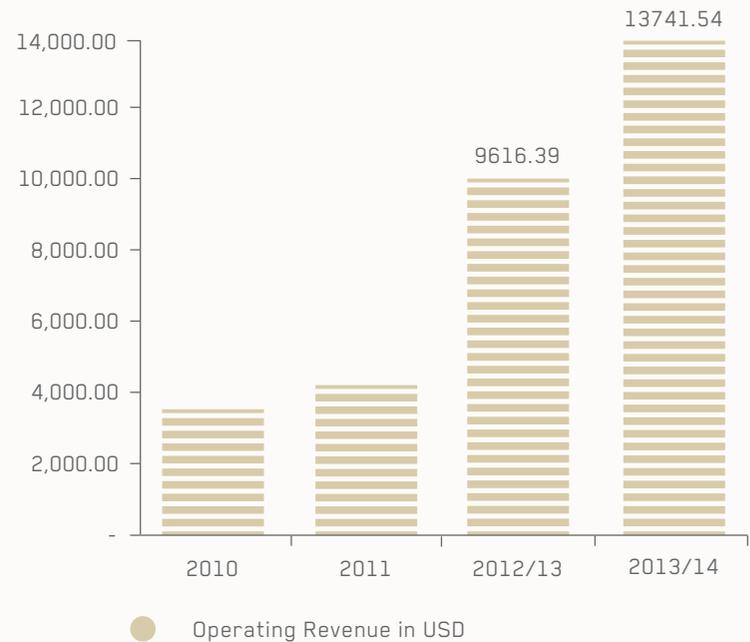


driven mainly by growth in gains on securities trading which increased by 37.32% or US\$3.22 million (2012/13: US\$5.41 million, 2013/14: US\$8.64 million) as the team took advantage of market opportunities. For a second consecutive year the team was designated as top market makers by the Ministry of Treasury and Superintendent of Securities, recognizing JMMB Puesto de Bolsa as the company with the most transactions in the market, which demonstrates that the team is fulfilling their mandate of opening up investors access to the Securities dealer market.

Net Profit in US\$'000



Operating Revenue in US\$'000



Carmen Rodriguez
Sales Manager

Curtis McDowell
Technology &
Operations Head

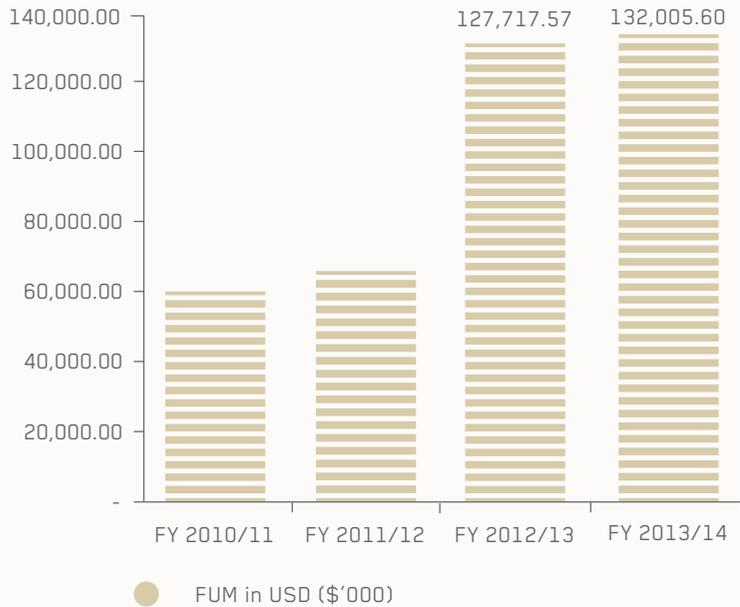


Denisse Pichado
Human Resource
Manager

Juan Jose Melo
Investment
Banking Head



Funds Under Management in US\$'000



Despite the increased interest rates towards the end of the financial year the team also managed their cost of funds and portfolio to register increased Net Interest Income year-over-year of US\$447.26 thousand or 9.77%. This resulted in increased Operating Revenue of US\$13.74 million, an increase of US\$4.13 million year-over-year.

Focused efforts continue in diversifying their Funds under Management (FUM) towards more stable retail funding. Despite the increased competition, the team continues to be resourceful in providing our clients with a range of investment products to fulfill their financial goal while keeping their best interest at heart. Our Sure Investor product continues to be the preferred investment instrument for investors as it brings more security and slightly above market yields. The results captured in the accompanying graph shows an increase in our FUM to US\$132 million – the highest across the Securities Industry in DR, an increase of US\$4.28 million.

Laura Aybar
Officer Manager &
Relationship Officer



Patria Rivera
Financial Controller



Virginia Henriquez
Marketing &
Communications
Country Head

Miguelina Veras
Country Compliance
Manager



Roberto Cabanas
Treasury & Client
Relationships Head





Shareholders' Equity

The Puesto de Bolsa currently maintains a sound capital base; contributes to safety for the Company's clients, and fosters investor confidence, while facilitating the opportunity to grow the business line. Total shareholders' equity stood at US\$19.63 million as at March 31, 2014, representing an increase of US\$8.62 million or 78.28% over the amount at March 31, 2013 of US\$11.01 million.

DR Strategic Focus 2014/15

Our clients remain at the core of our operations, as such in keeping with the strategic direction of the JMMB Group we will be rolling out our Integrated Financial Services model with new and differentiated branch experience and the launch of innovative, client centric technologies aimed at delivering a unique value-added experience for our clients. During the year we intend to:

- Open our first 'Financial Life Goals Center' while remodeling our Acropolis and Santiago branches.
- Maintain sustainable growth, with continued emphasis on having our clients best interest at heart, applying careful cost

management coupled with continued regulatory compliance and effective risk management.

- Re-organize the Brokerage Unit as an outbound sales force focusing more on face to face interaction with clients relying heavily on two aspects: market segmentation and data collection of prospective clients and partnering with our clients to achieve their financial goals.

Operations In Trinidad and Tobago

JMMB INVESTMENTS (TRINIDAD AND TOBAGO) LIMITED

JMMB Investments (Trinidad and Tobago) Limited is the newest addition to the JMMB Group and represents JMMB's re-entry to the Securities Brokerage sector in Trinidad and Tobago. Trinidad and Tobago is an important market in the Group's effort to expand and diversify throughout the region.

The company officially launched its business in February 2014, with an initial focus on offering short-term fixed income products to primarily institutional clients in the form of Repurchase Agreements backed by Regional Sovereign Bonds. The Company has established a corporate office presence in Port of Spain and intends to parlay this presence into a full-fledged and comprehensive broker-dealer operation to deliver on the Group's strategy of regional diversification. The key to our approach to developing our business in this market is a successful transplant of JMMB's deeply engrained corporate culture and client value proposition based on financial partnership and a unique and differentiated Client Experience.



Strategic Focus for JMMB Investments Trinidad and Tobago for 2014/2015

JMMB Investment Trinidad and Tobago (JMMBITT) will be utilizing a low-cost, high-efficiency model by fully utilizing a Group Shared Services model and leveraging the Group's operational and risk management expertise. In addition, it is our intention in the near-term to work closely with the JMMB Group's subsidiary company, InterCommercial Banking Group and its branch network in pursuit of a fully integrated financial services model in Trinidad and Tobago.

The team received approval for the acquisition of AIC Securities Ltd. on April 30, 2014 which will complement the suite of existing products with mutual funds, stock brokering and foreign exchange trading. This will also enable the provision of mutual funds regionally across the Group to meet client investment objectives more effectively. Importantly, the acquisition of AIC Securities allows for the introduction of JMMB's unique Client Value Proposition to AIC's existing 5,000 plus clients and supports a basis for the further development of the business model in the Trinidadian Market.

JMMBITT is now poised to establish a firm presence in the Trinidad and Tobago market for the next financial year, with a focus on consolidating the newly integrated operations while, at the same time, steadily expanding its market reach in line with our strategic plan.



Mark Singh,
Chief Executive Officer,
JMMB Investments,
Trinidad and Tobago

INTERCOMMERCIAL BANKING GROUP

The financial year ended March 31 2014 proved to be a pivotal one in the history of the InterCommercial Banking Group (IBL). On October 2, 2014 InterCommercial Banking Group became a fully owned subsidiary of the JMMB Group which paves the way for a truly integrated financial services approach in the Trinidad and Tobago market.



Krishna Boodhai,
Managing Director &
Chief Executive Officer,
InterCommercial Bank,
Trinidad and Tobago



Aleem Cassim
Senior Team Leader
- Human Resources

Anil Ramdhanie
Senior Manager
Group Technology



Devati Mooleedhar
General Manager -
Corporate Banking



The macro-economic environment that existed during the fiscal year 2014, though stable, provided challenges for IBL particularly with respect to corporate and commercial lending where the general market showed a decline for most of the year. Notwithstanding the slowdown in business credit experienced in the market, IBL was able to successfully register growth in its core assets - loans, of 11% closing the fiscal year with a loan portfolio of TT\$814.1 million- by focusing on residential mortgages and targeting small and medium sized enterprises (SMEs).

It is also noteworthy that subsequent to the financial year-end, on April 4, 2014, IBL was able to successfully raise TT\$80 million in subordinated debt, a portion of which will qualify as supplementary capital and significantly strengthen its capital for future growth.

In terms of profitability, IBL reported a net profit after tax of TT\$6.6 million which represents a reduction from that reported in the prior year of TT\$10.1 million. This decrease was driven by both a shortfall in investment income as the Bank converted its investments to more liquid, lower yielding cash reserves to be utilised for the expansion of its loan portfolio as well as an increase in operating expenses as we continue to build out our infrastructure including the physical network, people and systems that will form the foundation for the expansion of our operations.

Net Interest Income

The continued high liquidity and competitive interest rate environment was sustained and contributed to local currency interest rates falling below US dollar interest rates. This, in conjunction with the fierce competition in terms of pricing, has tightened spreads in the market. Despite these very challenging economic realities IBL Banking Group has been able to increase its NII from TT\$50.7 million to TT\$60.2 million in 2013/2014. While we have made some adjustment to pricing, the strong client relationships built in the past and our continued focus on client care has helped to mitigate the impact of contracting margins.

Other income for the financial year 2013/2014 was reported at TT\$28.6 million with the main contributor being revenues from foreign exchange trading of TT\$18.6 million. This performance is considered exceptional against a backdrop of several disruptions to the foreign exchange market which affected the allocation of US dollars to the primary dealers.

Operating Expenses

The operating expenses of the IBL increased by 22% to TT\$77.2 million during the fiscal year 2014. Staff costs, which accounted for 54% of total expenses, registered an increase of TT\$6.5 million or 19% while other expenses increased by TT\$4 million or 23%.

Gary Awai
Deputy Chief
Executive
Officer



Ingrid Sampson
Senior Team Leader
- Operations

James Mendez
Head of Risk



**Lisa-Maria
Alexander**
Corporate Manager
- Marketing



Net Interest Income in TT\$'000



These increases represent the full impact of the IBL's growth and expansion started in the prior financial year. As a result, IBL's core operating efficiency was impacted. However we expect this metric to improve in the new fiscal year through growth and efficiency strategies.

Naomi Arjoonsingh
Chief Financial Officer



Reaaz Shah
Treasurer

The growth in IBL's balance sheet that was seen in the previous year, continued into fiscal year 2014, and as at March 31, 2014, the total assets of IBL stood at TT\$1.7 billion, an increase of 13% over 2013.

LOANS AND ADVANCES

IBL's net loan portfolio closed 2013/2014 at TT\$814.1 million, which represents an 11% increase over the prior year with mortgages accounting for a 74% increase while corporate loans went up by 20%. While this level of growth was significantly lower than the previous financial year of 50% it should be noted that 2013 saw the largest increase in the loan portfolio in the Bank's history.

The Bank's non-performing ratio was reported at 5.96% as at March 31, 2014 compared to 6.19% in the previous year. Notwithstanding this marginal increase, IBL was able to recover several of its large non-performing loans as a result of the continued monitoring and intensified recovery efforts of the team.

Deposits

The total client deposit portfolio grew by 11% in 2013/2014 which is consistent with the increase experienced in the loan portfolio. The changing deposit portfolio mix, with greater weighting to savings and demand accounts both of which moved from 40% of the portfolio in 2012/2013 to 50% in 2013/2014, is consistent with the Bank's on-going strategy of growing its core deposit base.

Shareholders' Equity

IBL's capital base was boosted during the year with the injection of TT\$25 million in capital by its parent and as a result shareholder's equity increased by 28% to TT\$139.8 million as at March 31 2014. This, coupled with lower net profits after tax, has reduced the return on average equity from 9.80% for fiscal 2013 to 5.29% for 2014.

Strategic Focus for IBL Group 2014/2015

With the full acquisition of the InterCommercial Banking Group (IBL) by the JMMB Group, IBL is poised for consolidation and growth.



To this end, our focus will be on:

- Effective integration of the IBL Banking Group as a full-fledged subsidiary within the JMMB Group with its unique culture underpinned by the Vision of Love and leveraging efficiency through shared services.
- Enhancing client experience at all touch points, partnering with clients to deliver tailored financial service solutions and leveraging on group synergies to improve operational efficiency.

THE WAY FORWARD: THE JMMB GROUP IMPLEMENTING INTEGRATED FINANCIAL SERVICES ACROSS THE REGION – ‘Financial Life Goal Centre’ and ‘Client Partnership’

In responding to the full range of financial needs of our clients, we have made significant investments across the region to enable the build out of our new business model. Whilst acknowledging the benefits to our shareholders from these investments to date, we are focused on garnering even further synergies and efficiencies from these acquisitions, further diversifying our income stream, increasing market share and adapting to the changing dynamics of the financial landscape to deliver value to our clients and long-term sustainable returns to our shareholders.

As such, JMMB Group’s strategic focus for the next three (3) years will be centered on key areas which we deem critical to the Group’s long-term success.

- Roll-out of the Integrated Financial Services Model across the region, first in Jamaica, then Trinidad and Tobago and then the Dominican Republic.
- In the Dominican Republic, complete the building blocks of the model with the acquisitions of Corporacion de Credito America (CCA) and Banco Rio to complement our Investments arm, JMMB Puesto de Bolsa.
- Roll-out of our Financial Partnership Culture (Client Partnership) – Integrity selling, partnering with our clients on a journey towards the achievement of their life goals.
- Growing from the Base (organic growth from within) – maximize cross-selling and up-selling opportunities within the context of a “One Country sales force approach and mindset” aimed at delivering a holistic financial planning experience to our clients.

- Roll out of our new and differentiated Group Branch experience design grounded in JMMB’s Culture/DNA.
- Roll-out of our enhanced multichannel experience through the implementation of our Electronic Service Delivery (ESD) strategy – Online Banking for Banking clients in Jamaica and Trinidad and Tobago, Money line for our clients in Dominican Republic and JMMB Investments (Trinidad and Tobago) Ltd., the design and roll-out of self-serve kiosks/tablets across the region.
- Roll-out of our goal oriented financial solutions including Portfolio Management and Product Bundles (first in Jamaica and then across the region where applicable) and Mutual Funds in Jamaica, Trinidad and Tobago and the Dominican Republic.
- Improvement of our Operational Efficiency across the region:
 - Continuation of our GO GREEN initiative (in Jamaica) and roll-out of specific initiatives across the region;
 - Implementation of Process Optimization initiatives across the region (starting in Jamaica);
 - Integration of our operations in Jamaica, Trinidad and Tobago and the Dominican Republic whilst consolidating and extracting the synergies from our recent acquisitions.
- Further diversification of our business lines through continued growth in our Capital Markets Business unit and managing our balance sheet risk with the growth in off-balance sheet assets through Unit Trust, Portfolio.

As we embark on the year ahead, we would like to once again acknowledge our clients. They continue to motivate us to find creative ways to add value, partnering with them to achieve their financial goals while serving with care, integrity and love. We also wish to thank you, our shareholders, for investing a high level of confidence and trust in us as we continue to strive for excellence and be the premier Caribbean-grown financial group of choice across the region. As we build out our Integrated Financial Services business model across the region, grounded in our newly designed Client Experience Model, we are poised to bring significant innovation to the financial services market with a unique service delivery model that is efficient and truly client focused. We believe that the pursuit of this new and enhanced Client Experience Model will strengthen our presence locally and regionally and will reinforce the platform for long-term sustainable growth and further enhancement of shareholder value.





Talented Teams
Genuine Relationships

*We work best
when we work
together.*

Executive Team Leaders



KEITH DUNCAN
Group Chief Executive Officer



CAROLYN DACOSTA
Group Compliance Manager &
Company Secretary



DAMION BROWN
Group Risk Officer



DONNA DUNCAN-SCOTT
Group Executive Director,
Culture & Human Development



IMANI DUNCAN-PRICE
Group Chief Strategy Officer



JANET PATRICK
Financial Controller,
Planning & Strategy



JULIAN MAIR
Group Chief Investment Strategist



KERRY-ANN STIMPSON
Group Marketing Manager





KISHA ANDERSON
Head, Investment Services



MARGARET MCPHERSON
Group Operations Manager



PATRICK ELLIS
Group Chief Financial Officer



PAUL GRAY
Group Chief
Investment Officer



SHELDON POWE
Group Chief Information Officer



Profile of the Executive Team Leaders

KEITH DUNCAN, CFA, B.A. Group Chief Executive Officer

Expertise:

- Chartered Financial Analyst
- B.A. in Economics from the University of Western Ontario in Canada

+ Values: Integrity, Love, Family, Teamwork, Excellence

= Phenomenal Success: Mr. Duncan was promoted to Group Chief Executive Officer in 2005 and has responsibility for overall performance and charting the strategic direction of the Group.

A former president of the Jamaica Securities Dealers Association, he was involved in the partnership with the Financial Services Commission (FSC) in designing and implementing new structures and models to enhance the effectiveness of Jamaica's market players.

In March 2011, under his leadership, the Company was conferred with the prestigious Jamaica Chamber of Commerce 'Best of the Chamber Award' in the 'Large' category.

Mr. Duncan serves as a Vice-President of the Private Sector Organization of Jamaica and continues to contribute his service to Jamaica through various roles including his membership on the Economic Programme and Oversight Committee (EPOC). As Group CEO, he is a Director on all the subsidiary Boards.

CAROLYN DACOSTA, M.B.A., J.P. Group Compliance Manager & Company Secretary

Expertise:

- B.A. (Hons) the University of the West Indies
- M.B.A. in Finance from the Manchester Business School
- LL.B. (Hons) from the University of London
- Fellow of the International Compliance Association
- Justice of the Peace for the parish of St. Catherine

+ Values: Miss DaCosta values integrity and trustworthiness. "Integrity may be the most critical element of corporate success today. People who demonstrate integrity draw others to them because they are trustworthy and dependable."

= Phenomenal Success: Miss DaCosta has had nearly two decades of stellar service with the JMMB Group moving from Branch Supervisor in 1995 to now Group Company Secretary and Group Compliance Manager.

Instrumental in JMMBs' IPO, Preference shares acquisitions and mergers, she sits as Group Company Secretary on all Subsidiary Boards and Committees.

DAMION BROWN, CFA, M.Sc. Group Risk Manager

Expertise:

- B.Sc. and MSc. in Economics from the University of the West Indies
- Chartered Financial Analyst (CFA Institute),
- Financial Risk Manager Certification (Global Association of Risk Professionals)
- Professional Risk Manager Certification (Professional Risk Managers' International Association)
- Chartered Alternative Investment Analyst (Chartered Alternative Investment Analyst Association)

+ Values: Accountability, Honesty and Integrity

= Phenomenal Success: Mr. Brown's 10-year journey in finance has been one led by passion and delivered with purpose. Always possessing a keen interest in finance and how it enables economic growth and improvements in people's lives, Mr. Brown has built a career that is defined by strong technical expertise in risk and macroeconomic analysis and investment management. As Group Risk Manager, he has oversight of risk functions for the diversified financial services company, providing leadership to the risk management functions across the group, to safeguard the value of JMMB's shareholders' equity and minimise any risk to clients' investments.



DONNA DUNCAN-SCOTT, CFA, M.B.A.
Group Executive Director, Culture
& Human Development

Expertise:

- B.Sc. in Engineering from the University of Western Ontario in Canada.
- M.B.A. from the Richard Ivey School of Business at the University of Western Ontario in Canada.
- Certified Financial Analyst

+ Values: A true visionary and possibility thinker, Mrs. Duncan-Scott is guided by the philosophy that: "We were born to manifest the glory of God. It is not just in some of us; it is in every one of us". She is committed to sharing this fundamental truth in all aspects of her life.

= Phenomenal Success: For the past eight years, Mrs. Duncan-Scott has successfully applied her passion for the empowerment and transformation of others in her role as Group Executive Director of Culture and Human Development. Her enthusiasm and genuine desire to empower and inspire JMMB team members has led to the creation of programmes, practices and policies which have proved instrumental in upholding JMMB's core ideals of Love, Integrity, Openness and having the Best Interest of all at heart.

IMANI DUNCAN-PRICE, MPA-ID
Group Chief Strategy Officer

Expertise:

- B.A. (Hons) Economics, Philosophy, Government and History - Wesleyan University
- MPA-ID (International Development) from Harvard University

+ Values: Flexibility, Adaptability to Change, Positivity, Commitment to Fairness, Love

= Phenomenal Success: Mrs. Duncan-Price joined the JMMB Group as Group Strategy Manager & Manager, Corporate Solutions (2007), and then as Group Marketing Manager (2009) led the brand and marketing strategies across the region. She is currently Group Chief Strategy Officer with responsibility for developing business strategies and performance management systems for sustainable profitable growth for the diverse business lines in Jamaica, Dominican Republic (DR) and Trinidad and Tobago. As a Senator with the Government of Jamaica, Imani also spends her time focusing on economic development by reviewing laws to determine how they can better enable, and not inhibit, growth prospects for the majority of Jamaicans.

After serving as Miss Jamaica (World) 1995 and completing her tertiary studies, Duncan-Price honed skills in finance and business with the Boston-based consulting firm, OTF Group, working with a range of companies and governments in Bermuda, DR, Jamaica and Rwanda, as well as with the World Bank. She also served as Board Director of the Development Bank of Jamaica (DBJ) and is a founding member of the Caribbean Policy Research Institute (CaPRI), the Caribbean's first independent think-tank. Imani is

currently a Board Director of the: Kingston-YMCA Jamaica; National Parenting Support Commission; Y.U.T.E. (Youth Upliftment Through Employment) and a member of Key Insurance's Board Sub-Committee on Investments and Loans.

JANET PATRICK, ACCA
Financial Controller,
Planning And Strategy

Expertise:

- Chartered Accountant
- Diploma in Business Administration (Accounting) from the University of Technology

+ Values: Integrity, Resourcefulness, Objectivity and Empathy

= Phenomenal Success: Miss Janet Patrick was appointed Financial Controller in 2007, being elevated from her initial role of Chief Accountant, which she held from 1998. In her current role, her extensive experience in accounting and auditing are called upon, as she has direct responsibility for the preparation of the Group's budget and forecasts as well as management reporting. Prior to joining JMMB, Miss Patrick garnered extensive experience in the financial sector, primarily as a member of the senior audit staff of KPMG Chartered Accountants, working on major audit assignments and several special projects, spanning the financial, manufacturing and hospitality industries.



JULIAN MAIR, B.Sc.

Group Chief Investment Strategist

Expertise:

- B.Sc. in Finance from Howard University

+ Values: Mr. Mair values Integrity, and directness. "We are all gifted with a perspective which can make a positive difference to a situation, it is critical that persons feel empowered to be direct and have the conviction to view it as their duty to do so".

= Phenomenal Success: With over 20 years of experience in the financial services sector, Mr. Mair currently operates as JMMB's Group Chief Investment Strategist. In addition to his position at JMMB, Mr. Mair has played a significant role in the development of Jamaica's capital market. His experience includes holding positions at foremost Jamaican financial institutions, including Head of Treasury and Investment services at Dehring, Bunting and Golding (now Scotia Investments Jamaica Limited) and Senior Trader and Cambio Manager at JMMB. In addition, he has partnered and consulted with various international financial institutions and the Government of Jamaica, in structuring Global Bond Issues. A former Managing Director of Lets Investment Ltd., his leadership resulted in the boutique operation becoming a global player in the trading of internationally-issued securities.

A founding member and current President of the Jamaica Securities Dealers Association (JSDA), Mr. Mair also serves various institutions as a director, including JMMB Securities Limited, JMMB International Limited, JMMB Puesto DeBolsa and the Jamaica Stock Exchange.

KERRY-ANN STIMPSON, M.B.A.

Group Marketing Manager

Expertise:

- B.Sc. in Management Studies from the University of the West Indies
- M.B.A. with a concentration in Marketing, from the University of Maryland, College Park

+ Values: Hard Work, Dedication, Sacrifice And Teamwork

= Phenomenal Success: Mrs. Stimpson is an expert financial marketer whose strong passion for her craft has led to continued top-level performances and a marketing career defined by excellence. With over 10 years experience in financial services marketing, she added even greater heft to the JMMB marketing team in late 2012 when she assumed responsibility for the marketing strategy, design and execution for the JMMB Group. Her professional journey in marketing began at Dehring Bunting & Golding Ltd. (DB&G) where she moved up the ranks to eventually become Senior Manager, Marketing. The impressive execution of her craft in these progressive roles, allowed her to step confidently into a larger executive position as Assistant Vice President, Marketing of First Global Bank and First Global Financial Services. In addition to her marketing expertise, she is also a communication coach and a motivational speaker.

KISHA ANDERSON, B.Sc., J.P.

Head, Investment Services

Expertise:

- B.Sc. from the University of the West Indies

+ Values: As a human being I value my faith, love, openness, integrity, equity and joy. As a leader I add to these excellence and the opportunity to inspire excellence, continuous learning, dynamism and making a difference.

= Phenomenal Success: Miss Anderson began her tenure with JMMB in 1996, and has since worked in several areas of the company's operations. With her most recent appointment in October 2012, she now heads JMMB's Investment/Securities team. In this role she is responsible for leading the development and execution of the strategy for the area, inside of the overall objectives and framework of the Group. With her innovative ideas, solution-oriented work ethic and drive for excellence in performance, she plays a key role in leading her team's contribution towards the realization of the integrated financial services model for the JMMB Group in Jamaica.

She serves as a Director on the Board of JMMB Insurance Limited, JMMB Fund Managers Limited and Capital & Credit Remittance Ltd and is a Justice of the Peace for Kingston.



MARGARET MCPHERSON, M.B.A.
Group Operations Manager

Expertise:

- M.B.A. in Finance from Manchester Business School
- Certification in Project Management
- Associate of the Institute of Canadian Bankers

+ Values: Integrity, Credible, Authenticity, Ethical, Grace, Responsiveness,

Accountability. The supreme quality for leadership is unquestionably integrity. Without it, no real success is possible - Dwight D. Eisenhower

= Phenomenal Success: Mrs. McPherson has enjoyed a versatile banking career with over two decades of experience within the financial sector. As Group Operations Manager, her primary responsibilities consist of ensuring the efficient execution of the middle and back office operations, which include the Information Technology, Securities & Settlement, Facilities, Group Projects & Business Process Management and Operations departments. She participates in the Group's strategic formulation, execution and management.

PATRICK ELLIS, FCCA, FCA, CPA, M.B.A.
Group Chief Financial Officer

Expertise:

- M.B.A. (Finance) from the Manchester Business School.
- Fellow of the Chartered Association of Certified Accountants (U.K.)
- Fellow of the Institute of Chartered Accountants of Jamaica
- Certified Public Accountant

+ Values: Mr. Ellis values Integrity, Accountability and Teamwork. Integrity is a fundamental value that is demonstrated in one's action, it encapsulates honesty and trust. According to Stephen R. Covey, "Accountability breeds response-ability." Teamwork results in goals and expectations being exceeded which augurs well for an organization. "The growth and development of people is the highest calling of leadership. It is only as we develop others that we permanently succeed."- Harvey Firestone

= Phenomenal Success: Since 2008, Mr. Ellis has held the post of Group Chief Financial Officer, a role which includes the oversight and execution of the Group's strategic and financial operations. Mr. Ellis has played a critical role in assessing the viability of possible acquisitions for the JMMB Group; namely, the acquisitions of the Capital and Credit Financial Group in 2012 and the remaining 50% equity of Intercommercial Bank Limited in 2013.

PAUL GRAY, M.B.A.
Group Chief Investment Officer

Expertise:

- Masters degree in Finance from the Manchester Business School
- Professional development training in Treasury, Asset/Liability and Risk Management

+ Values: Mr. Gray values honesty, integrity and accountability. "Honesty, integrity and accountability are the foundations of success and define ideals for which individuals should strive".

= Phenomenal Success: With over 16 years in the financial industry, Mr. Gray brings a wealth of knowledge and experience to his role of Group Chief Investment Officer, having built a solid track record in asset management and trading. He is the Chairman of the Group Investment and Liquidity Management Committees and also serves on the Board of JMMB Insurance Brokers Limited, JMMB Securities Limited and JMMB Fund Managers Limited. In addition, he is the President of the Jamaica Primary Dealers Association.

SHELDON POWE, M.Sc.
Group Chief Information Officer

Expertise:

- B.Sc. from the University of the West Indies
- M.Sc. in Industrial and Systems Engineering from the University of Florida

+ Values: Creativity, Love, Togetherness, Integrity

= Phenomenal Success: Mr. Powe currently serves as Group Chief Information Officer, following over a decade and a half of service to the Company. In his position as head of the technology unit, he has a primary mandate to ensure a stable and secure electronic platform for the ongoing provision of services that enhance the efficiency and effectiveness of the JMMB Group of Companies. He serves on the Board of Directors for JMMB Fund Managers Ltd.



JMMB Merchant Bank Ltd.



JEROME SMALLING,
Chief Executive Officer



DAMION HYLTON
Head - Corporate &
Commercial Banking



DEVON LAWERENCE
Chief Internal Auditor



JANET SMALL
Financial Controller



HORACE WILDES
Branch Manager - Ocho Rios



JMMB Merchant Bank Ltd.



KATHLEEN WILLIAMS
Head of Operations



LANCE DUHANEY
Branch Manager - Montego Bay



MOYA LEIBA-BARNES
General Manager -
Client Services



OWEN FERGUSON
Branch Manager - New Kingston



PETA-GAYE FAIRCLOUGH
Chief Compliance Officer



JMMB Merchant Bank Ltd.



STAFFORD ROBINSON
General Manager - Credit



TRUDY-ANN BARTLEY-THOMPSON
Legal Counsel



WAYNE BECKFORD
Head of Treasury



Senior Team Leaders

Heads of Departments

ALICIA MAYE

Group Project Portfolio Manager



CHRISTOPHER WALKER

Head - Fund Services



CLAUDINE CAMPBELL-BRYAN

Senior Manager-Compliance



DAWNET THOMPSON

Group Project & BPMO Manager



Senior Team Leaders

Heads of Departments



DENSIE ROBINSON

Group Middle
Office Manager



ERNEST EDWARDS

Manager-Information
Technology Projects



FORNIA YOUNG

Head-Retail Client Sales
and Services



GIFFORD RANKINE

MIS and Application
Support Manager



**KADEAN
BRUCE-MILLER**

Manager-Corporate
Solutions



JUDENE DUNCAN

Manager - Corporate
Planning & Performance
Management



Senior Team Leaders

Heads of Departments

KASHWAYNE BRYSON
Financial Controller



KEISHA FORBES
Head - Trading & Treasury



**KERRY ANN
FERGUSON**
Manager, Organizational
Learning & Development



KISSAN BROWN
Group Technical Services Manager



Senior Team Leaders

Heads of Departments



KWAME BROOKS

Assistant Trading & Treasury Manager



NERENE O'CONNOR-BROWN

Operations Manager
- Client Sales & Service Delivery



PETER THOMPSON

Senior Investment Manager
- Pensions & Client Portfolio

ORIN MALCOLM

Group Information Security Manager



TEVERLY GRAY

Electronic Services Manager



Senior Team Leaders

Branch Team Leaders

JOAN EDWARDS

Manager Personal Portfolio
- Management Center



LATANYA MONTEITH-HOUSEN

Branch Operations Manager - May Pen



LORNA HALL

Branch Manager -
Montego Bay



MICHELLE WHITELY

Branch Manager - Portmore



ROCKANN CLARKE-CRAWLE

Branch Manager - Haughton Terrace



Senior Team Leaders

Branch Team Leaders

SIMONE THOMAS

Branch Manager - Mandeville
Junction & Santa Cruz



VIVIENNE DUNCAN

Business Development Manager
- Ocho Rios



SYDNEY MCLENNON

Branch Manager
- Knutsford Boulevard





*Genuine
Client
Partnership.*



Genuine Client Partnership

Comes from who we are; it's in our DNA,
our heritage... Our Client Promise



JOAN
DUNCAN

A Different Kind of Relationship

Client partnership is at the centre of everything we do. Having our clients' best interest at heart is more than something we say. It's who we are. It's in our DNA.

Our co-founder, Joan Duncan had a mission statement that she lived. It is embedded in the foundation on which The JMMB Group was built:

"I would like to contribute to the good of all persons with whom I come in contact, and to achieve complete harmony with the Holy Spirit.

I will do so by focusing on, and endeavouring to realize the good for all persons concerned, which can be derived from every situation with which I am presented."

It is with this mission in mind, that we embrace the opportunity to make a substantial impact in the lives of our clients. We are in the business of turning dreams into realities and we are able to do so by partnering with our clients and guiding them along a path that was specifically mapped out for them with their unique circumstances in mind

HOW WE ENHANCE YOUR EXPERIENCE WITH US

In order to serve our clients as their needs, wants and desires change, so too must we continue to improve upon our services. With that in mind, our primary focus for the Fiscal Year 2013/14 was centred on the following:

- Improved service delivery experiences at every key touch point
- Enhanced integrated branch experiences
- Automation of services
- Continued enhancements to existing electronic services, e.g. MONEYLINE and ETMs, as well as the introduction of additional electronic service channels.



JMMB's Fulcrum: Guiding Principle for all that we do

At JMMB, we stand for love;

- We Honour each other as Family,
- We Stand for the Greatness of all
- We have the Best Interest of our Clients at Heart and we realize Win/Win outcomes

Driven by our passion for delivering consistent exceptional service and our commitment to build a company that lives true to our Vision of Love – (to serve the best interest of our clients, our team members and our shareholders)



Keith Duncan, Group CEO shares lens time with a client at the JMMB Epicurean Fusion client mixer.



These ladies are all smiles. Michelle Sinclair-Doley, Manager-Client Education, embraces a client as she presents her with a gift basket.



We created our Group Client Promise:

JMMB is your financial partner who always keeps its clients' best interests at heart by providing simple, transparent solutions oriented around life goals...

Definitions from Excerpts of Our Client Promise:

Financial Partner

At JMMB our clients are a part of our family. We proactively seek to be in our clients' world and so we understand, encourage, educate and using our expertise we guide them to achieve their life goals given their unique circumstances.

Best Interest at Heart

At JMMB whatever we do is guided by what best serves our clients. We see our clients no differently than we see ourselves and we stand for each other's greatness. As our clients succeed so shall we. We are fully invested in the success of all.

Simple, Transparent Solutions

At JMMB we offer solutions that are easy, hassle free and readily understood by our clients. Solutions are one or more products and/or services from companies solely within the Group or with Strategic Partners, bundled or sold concurrently, which work together to meet a need or achieve a goal. We share all aspects of our solutions with integrity so there are no unwelcome surprises.

Life Goals

At JMMB we support the milestones and aspirations that have financial considerations which are important to our clients throughout their lives.

Financial Life Goals Centre

At JMMB we do business differently from the stereotypical financial group/provider. We deliver creative, flexible solutions that are just right for our clients, with fair fees, in a comfortable, fun way that is unexpected for a financial group. We seek to ensure that our clients experience the difference in our environment, in how we do business and in our culture of love. Our way of being is the "JMMB Way".



The Proof is in the People

Client Satisfaction & Engagement Results - Jamaica:

We continue to be guided by our clients' feedback and at the end of 2013 they continued to be confident in and passionate about JMMB. Our results for Client Satisfaction and Engagement were as follows:

Satisfaction

- Overall Satisfaction levels stood at 90.3% for 2013, reflecting a significant increase of 4% over 2012, which was 86.3%
- All entities showed improving trends as did all categories under consideration

The table below shows a breakdown of satisfaction levels by service categories, for each entity in Jamaica:

| CATEGORIES | JAMAICA | | | | | JAMAICA YTD 2013 | JAMAICA 2012 |
|-----------------------------------|--------------|--------------|--------------|---------------|--|------------------------|-----------------|
| | JMMB | JMMB MB | JMMB IB | JAMAICA Q4 | | | |
| PRODUCTS THAT MEET CLIENTS' NEEDS | 90.20 | 86.40 | 90.00 | 88.90 | | 87.80 | 84.10 |
| SAVINGS RATES | 85.10 | 84.70 | 87.10 | 85.60 | | 83.70 | |
| INVESTMENT RATES | 86.10 | 80.80 | 91.40 | 86.10 | | 84.00 | 76.30 |
| LOAN RATES | 86.80 | 85.20 | 90.00 | 87.30 | | 85.30 | 76.60 |
| TRANSACTION FEES | 90.40 | 88.30 | 92.90 | 90.50 | | 97.20 | 78.70 |
| FACILITIES | 94.20 | 88.80 | 92.90 | 91.90 | | 91.70 | 89.30 |
| IN-BRANCH SERVICE | 92.40 | 89.40 | 94.60 | 92.10 | | 90.50 | 88.60 |
| TELEPHONE SERVICE | 91.50 | 87.60 | 94.30 | 91.10 | | 90.20 | 87.20 |
| ON LINE SERVICE | 98.20 | 96.30 | | 97.30 | | 94.50 | 89.00 |
| ETM | 99.20 | 99.20 | | 99.20 | | 98.00 | |
| SATISFACTION LEVEL Q4 | 92.60 | 88.90 | 93.30 | 91.60 | | 90.30 | 86.30 |
| YTD 2013 | 90.90 | 88.30 | 90.70 | 90.00 | | | |
| 2012 | 83.80 | 86.80 | 88.40 | 86.30 | | | |

Engagement

- 89.7% achieved for 2013, reflecting a 2.1% increase over 2012
- As with satisfaction levels, all entities showed improving trends and for our fourth quarter results we achieved 92.6% engagement
- 94% of clients said they would recommend JMMB to their friends and family



Kisha Anderson, Head of, Investment Services and Wayne Beckford, Head of Treasury JMMB Merchant Bank share a hearty laugh with a client.



Anthea Domville conducts a financial planning session with these up and coming athletes.

The table below shows a breakdown of how our clients felt about us, by entity:

| CATEGORIES | JMMB | JMMB MB | JMMB IB | JAMAICA Q4 | JAMAICA | |
|---------------------|-------------|-------------|-------------|-------------|----------|--------------|
| | | | | | YTD 2013 | JAMAICA 2012 |
| CONFIDENCE | 99.3 | 93.7 | 91.5 | 94.8 | 91.8 | 87.6 |
| PRIDE | 91.4 | 91.1 | 90.6 | 91.1 | 90.3 | 91.5 |
| PASSION | 86.8 | 90.4 | 90.8 | 89.3 | 86.9 | 85.3 |
| ENGAGEMENT LEVEL Q4 | 94.4 | 92.3 | 91.1 | 92.6 | 89.7 | 87.6 |
| YTD 2013 | 91.5 | 90.4 | 88.9 | 90.3 | | |
| 2012 | 85.5 | 86.6 | 90.7 | 87.6 | | |





Donna Duncan-Scott takes time out to sit and have a chat with clients at the Ocho Rios Cocktails and Harmony client mixer.



JMMB Welcomes First Client at Brown's Town Agency Opening

(L-R) Richard McKenzie, Client Relations Officer at the JMMB Brown's Town Agency warmly welcomes Cecile Johnson with a gift as the first client at the newly opened Brown's Town Agency on April 15. Also sharing in the moment are (L-R, background): Marsha Dixon, Express Transaction Officer, JMMB Brown's Town and Vivienne Duncan, Branch Business Development Officer, JMMB, Ocho Rios.

What's Coming for Our Client Partnership Experience 2014-15

- Become more deliberate around building client partnerships by proactively offering our expertise in financial planning and advice, delivering customized solutions to meet our clients' life goals, whilst adding value in every interaction.
- Empower our clients through financial education and in partnership with them we will guide their financial journey to help them and their families along the way.
- Our systems and processes will be enhanced/refined as we seek to make doing business with JMMB easy and hassle-free.
- Develop on our current integrated branch design to better meet the changing needs of our clients.



A close-up photograph of several pairs of hands of different skin tones cupping a mound of dark brown soil. A small, vibrant green seedling with three leaves is growing out of the center of the soil. The background is softly blurred, showing more hands and a white shirt. A red circular graphic with white text is overlaid on the left side, connected to the image by thin white lines and teal dots.

*The
Go Green
project.*

JMMB Going Green

Over the past year JMMB Jamaica, with a focus on continuous improvement and efficiency, has embarked on a Go Green Project, which will see us rolling out several initiatives aimed at improving our energy efficiency and thus improving our Shareholders' value.

THE MISSION:

- To play our part in the conservation of our planet
- To reduce consumption, conserve energy, use environmentally friendly communication channels and continuously strive to find creative ways to add value to our mission
- To educate, enroll and excite team members and clients to create a 'green' culture across the JMMB Group and the world. The Project Team consists of critical players across the organisation, namely Facilities, Group Projects & BPMO, IT, Settlement, CHDT, OSM and Group Operations.

THE INITIATIVES INCLUDED:

- Energy Audit - to assess how much energy is consumed and to evaluate what measures can be taken to make our buildings more energy efficient
- Rationalisation of printing devices and creation of business hubs – in order to save on overall energy and reduce the number of suppliers and the types of consumables. A change of culture plays a major role in this initiative, as we are exploring the reduction of individual printers and other devices
- Stationery control – to determine ways to limit the use of paper and other stationery items such as forms, envelopes and letterheads

- Electronic Statement – encouraging the use of electronic statements for clients' potential cost reduction - \$16M p.a. (at least 30% reduction in postage and printing cost)
- Reduction in unclaimed mail
- Energizing the Team – The wider teams were asked to identify 'Go Green' items relevant to each department.

ACHIEVEMENTS YEAR 1

The Go Green team implemented the installation of the following in our Head Office Buildings:

- LED tubes
- Occupancy Sensors
- Relays that automatically turn off split air-conditioning units once the area is unoccupied
- Smart Power Strips to switch off equipment when not in use.

We were also successful in the reduction of printed Board and Audit reports, as Directors and Team Members usually view these electronically during meetings.

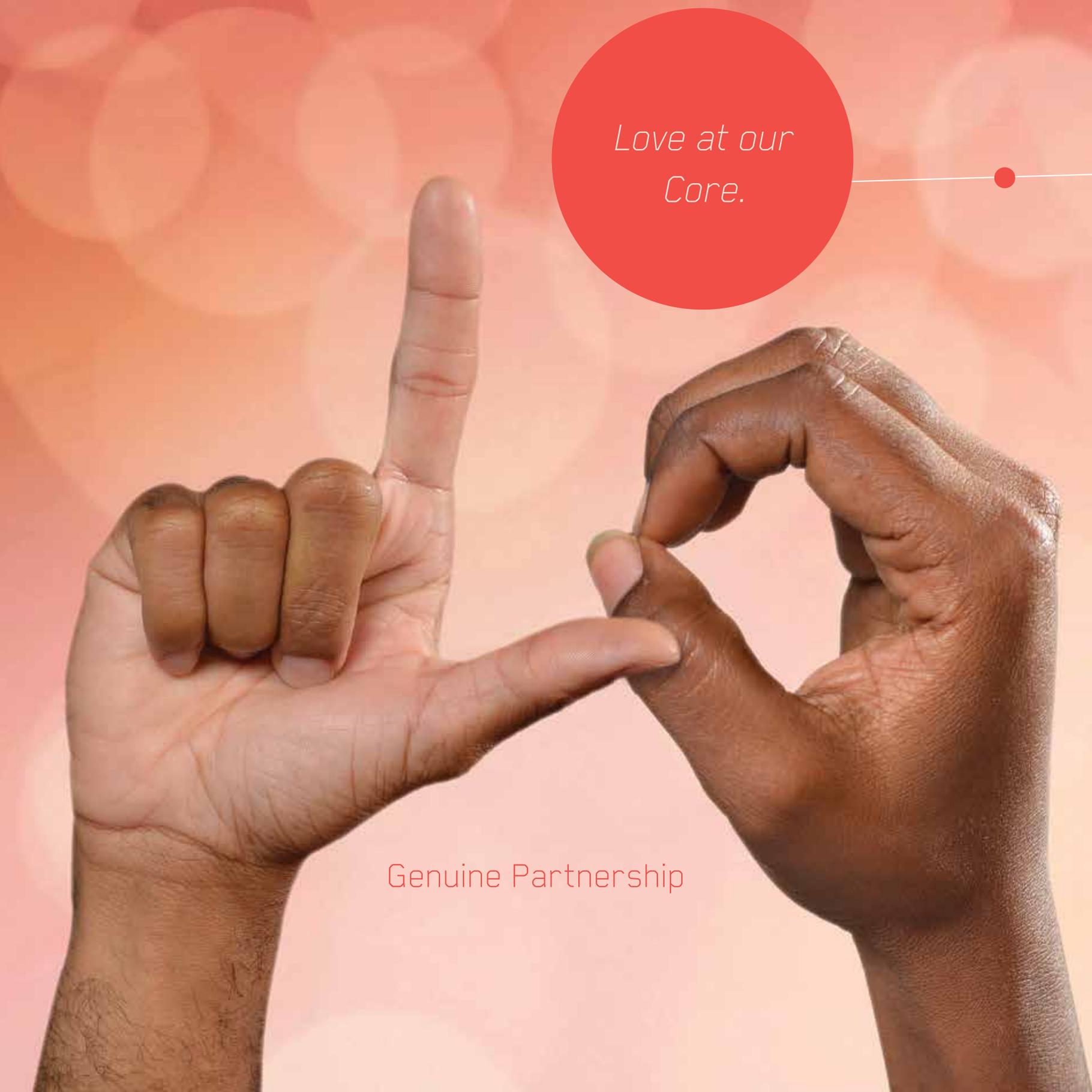
All team members are aware of the Go Green Project and are cooperating with the Go Green team, sharing ideas and motivating each other to conserve, recycle and add value.

NEXT STEPS

2014-15 will see the Green initiatives being rolled out across the entire Group, and the team exploring the option of plugging into the sun.

30% Reduction in postage and printing cost



A close-up photograph of two hands, one light-skinned and one dark-skinned, touching. The light-skinned hand is on the left, with the index finger pointing upwards. The dark-skinned hand is on the right, with the index finger pointing downwards, meeting the light-skinned hand's index finger. The background is a soft, out-of-focus bokeh of warm, orange and pink tones. A red circle is positioned in the upper right quadrant, containing the text "Love at our Core." A thin white line extends from the right side of this circle across the top of the image, ending in a small red dot.

*Love at our
Core.*

Genuine Partnership



It's in our DNA.

Joan Duncan Foundation

Our Continued Commitment to Corporate Social Responsibility

The JMMB Group has chosen to be more structured and focused where our corporate social giving is concerned. In light of this renewed commitment, we have revamped the Joan Duncan (JD) Foundation.

The vision of the Foundation is “To enable Jamaicans to tap into their potential for greatness and have their greatness impact their own lives, and enhance the lives of their communities”. This transformation will ultimately lead to a more prosperous and abundant society.

The Foundation has a mission to develop, support and steward transformational initiatives in Education and Entrepreneurship to create and inspire positive change. Through the branch network, team members are involved in outreach initiatives geared towards the empowerment of people and their communities. This commitment is grounded in the JMMB values of Love, Openness, Honesty, Integrity and Care.

NATIONAL PROJECTS

Inspired by a national thrust towards Transforming Education through improving the education results in Jamaica so these are aligned with the Vision 2030 goals, the JD Foundation is working with programmes in education. We support Youth Upliftment Through Employment (Y.U.T.E.), the Violence Prevention Alliance and the Child Resiliency Programme, to name a few.

Y.U.T.E. - Youth Upliftment Through Employment Programme

Y.U.T.E. was born out of an initiative of the Private Sector Organization of Jamaica (PSOJ), in the aftermath of the upheavals in West Kingston in May 2010. The main objective of the Y.U.T.E. programme was to empower unattached youth in eight depressed communities, by improving their employability through mentorship and skills upgrade; to provide them with opportunities for gainful and lawful employment through work experience and start-up entrepreneurial ventures.

The Y.U.T.E. Programme was different from other social intervention programmes in its multifaceted approach, integrally involving the private sector from the ground up: from planning, resourcing and executing. It also hones in on the root causes of violence and unemployment among young people through an aggressive two-year programme.

The programme, which was implemented in eight Kingston communities - Denham Town, Mountain View, Parade Gardens, Rockfort, Olympic Gardens, Tivoli Gardens, Jones Town and Trench Town, created approximately one thousand two hundred and ninety five (1,295) jobs.

The graduation and closing ceremony was held in December 2013, where thousands of youth from inner-city communities expressed appreciation to Y.U.T.E. for giving them a new lease on life as students and workers. Over one thousand and six hundred (1,600) young men and women have benefited from academic and skills training. Eight hundred (800) had job experience placements and many of these have become permanent employees, with over three hundred (300) having a certified skill. Six hundred (600) volunteer mentors guided them on their journey.





Functioning Centres



At the Closing Ceremony, awards were presented to sponsors and participants, including five “Spirit of Y.U.T.E.” awardees.

Violence Prevention Alliance And Child Resiliency Programme

The Violence Prevention Alliance (VPA) Programme uses computer software to provide individualized and highly effective literacy and numeracy interventions designed to help at-risk students of all ages. The goal is to help these students to master the fundamental skills of Reading and Mathematics. There are currently 12 functional centres with between 25-45 students per centre. These students usually graduate within 4-6 months.

The Child Resiliency Programme (CRP) identifies “at risk” children at the Grade 4 level, who are then supported through this intervention programme. Results show that these students become better integrated into the school system and are later transformed into productive adults contributing to Jamaican society. Sixty-five (65) children referred by three (3) neighbouring primary schools identified as being “at risk” attend this after-school programme. The CRP offers supportive intervention by building literacy via computers and chalk and talk methodologies; life skills training via ‘circle time’; the creative arts and sports (drumming, dance, karate, arts & craft and football); parent training; (family counselling, home visits and nutritional support). Findings after one (1) year of intervention show a marked reduction in the number of fights by students, as reported by parents, teachers and guidance counsellors. There is a dramatic increase in the literacy level of students.

65 Children referred by 3 Neighbouring schools as at risk

Transformational Training

Underpinning all activities of the JD Foundation is the recognition of the importance of the person and their social intelligence, and how this affects all areas of their lives. Recipients of funding from the Joan Duncan Foundation are given the opportunity to participate in a one-day course engaging them to tap into



Students and parents pose for the camera following their participation in a Transformational Workshop hosted by the Joan Duncan Foundation, JMMB's philanthropic arm. The session was led by guest speaker Beverly Manley Duncan. The students are recipients of scholarships for the 2013/2014 academic school year.





Kim Mair, Chief Executive Officer, Joan Duncan Foundation and Beverly Manley Duncan, guest speaker discuss the Foundation's transformational workshop with smiling students at the Jamaica Pegasus. The students, who received scholarships from the Foundation were invited to participate in the seminar to build self-awareness and empower them to tap into their greatness.

their talents, fuel their passion and empower their lives. Topics addressed included "Understanding of self", "Your role as a citizen of Jamaica and recognizing your greatness", among others.

Scholarship recipients, their parents and football coaches are a few of the beneficiaries who have attended courses.

The support of programmes facilitating this training is also important, and the Foundation has supported capacity building workshops for guidance counsellors and empowerment training sessions for the public.

EDUCATION

Joan Duncan School of Entrepreneurship, Ethics & Leadership

The re-branded School of Entrepreneurship, now called the Joan Duncan School of Entrepreneurship, Ethics and Leadership (JDSEEL), College of Business and Management, University of Technology, Jamaica, continues to be supported. The school, which was renamed in a move to promote ethical standards in business, reduce corruption in Jamaica and foster socio-economic development, as well as to honour JMMB's co-founder, will next year launch the Joan Duncan Memorial Lecture to focus attention on this area.

Read Across Jamaica

We are pleased to have participated in Read Across Jamaica Day. Team members from all branch locations read to students at various schools in these locations, demonstrating to the young minds the importance of reading and literacy to overall development.

Let's Read

JMMB's Rockann Crawle, Branch Manager at the Houghton Terrace branch is equally captivated by the story, Dale's Mango Tree, as the students at Clan Carty Primary during Read Across Jamaica Day. Members of the JMMB team visited twelve schools today (May 6, 2014) to engage primary-aged children in reading in a bid to promote literacy and encourage reading.





Attention!

Scholarships

To ensure upcoming generations are equipped to fully contribute to a prosperous society, academic scholarships and bursaries were provided to several individuals from primary to university levels, as well as summer camps. This included the sponsoring of transportation for campers of the Deaf Association.

School Improvement

Throughout the year the Foundation supported several school improvement initiatives with donations to:

- Denham Town Primary: for the restoration of bathrooms
- Fullerwood Primary School in Arlington, St. Elizabeth: for the purchase of a water tank
- Kingston Technical High School: Career Resource Centre
- Campion College: for the School Media Centre
- St. Hugh's Preparatory School: Science Resource Room and Tablet project
- Holy Childhood High School: Multi-media projector for the Social Studies Department.

JMMB/JFF/UTech Coaching School

When the JMMB/JFF/UTech Coaching School was established in 2009, the Jamaica Football Federation (JFF) declared its commitment to raising the standard of local coaching and the development of a uniform coaching philosophy. We are pleased to have maintained our partnership with both the JFF and University of Technology, Jamaica, as we ultimately move towards the advancement of the national football programme.



Students at Clan Carty Primary are engaged by JMMB's Daniel Thompson, Personal Portfolio Advisor at the Houghton Terrace branch as he reads "The Beautiful Blue Shirt from Barry Street" during the team's visit to the school as part of Read Across Jamaica Day activities. The JMMB team visited twelve (12) schools across the island to encourage children to read.



Little Odain Wallace listens attentively as Christine Subaran-Lewis reads him a story at the Norwood Basic School in Montego Bay during Read Across Jamaica Day.



In a Man's World: Kim Mair, CEO, Joan Duncan Foundation represents well among her male counterparts Prof. Colin Gyles of Utech, JFF President, Capt. Horace Burrell and FIFA Instructor Rodrigo Kenton at the Opening Ceremony of the JMMB/JFF/UTech Advanced Level Two FIFA/JFF coaching course. Two female participants have joined the male-dominated course in this year's intake.



To date, six hundred (600) coaches across the island have responded positively, taking on the challenge of equipping themselves to adequately train the talented youngsters who represent Jamaica in the sport on different levels; to turn talent and inspiration into results, and ultimately to continue to inspire positive change in our society, through the very important avenue of sports.

ENTREPRENEURSHIP

In fulfilling our promise to support a competition among tertiary institutions to develop innovative business plans, this year the Joan Duncan Foundation sponsored the UWI Venture Challenge Competition. Teams/individuals were invited to present their business plans to a panel of independent judges with the aim of convincing them that they can be most successful in implementing their business plan and achieving the business goals that have been outlined. The judges are drawn from the private sector and from the University.

Congratulations must be offered to JMMB team members and mentors Roy Reid and Lisa-Maria Alexander, whose teams placed 1st and 3rd respectively in the competition.

COMMUNITY INVOLVEMENT

“Recognising the link between the organization and the wider society and the inter-relatedness of all life” our branches and team members continue to be active in the communities which they operate.

The teams devote their time, talent and financial assistance towards various activities, as they seek to empower individuals within their communities. During the course of the year, team members were involved in activities across the areas of education, sports and general outreach.

CUMI - Committee for the Upliftment of the Mentally Ill

The Foundation continues to support CUMI, which provides a comprehensive rehabilitation programme including activities which are designed to improve the lives of those who face mental challenges as well as homelessness. Participants are empowered to live normal, productive lives within their families and society, through the imparting of the necessary knowledge and coping skills. Team members also participate in the annual CUMI ‘Come Run’ fundraising event.



Patricia Sutherland, Chair, Joan Duncan Foundation listens enthusiastically as members of the 2013 Opportunity Funding Corporation winning team shared their experience as part of the UWI Venture Competition.

Patricia Sutherland, Chair of Joan Duncan Foundation speaking at the Caribbean Graduate School of Theology Distinguished Lecture titled, “In Pursuit of Metamorphic Change in the Nation”. This is in keeping with Foundation’s commitment to transformation at a national level and is demonstrated in its support of entrepreneurial, community developmental and educational initiatives.



August Town Sports Development

Acknowledging the importance of sports as an intervention strategy in community development, the Foundation's relationship with the August Town Sports Development Foundation continues with the support of their various football programmes, designed to keep at-risk youth involved in positive extra-curricular activities.

Consistent with our Vision of Love, we extend our support to initiatives spearheaded by the wider society. As such, our team participated in various events during the course of the year, including, but not limited to, various community based activities such as health fairs, fundraisers for school events, care packages and sports activities.

Labour Day & 5K Runs

In championing community development, the JMMB team joined forces with the Forestry Department in the National Labour Day initiatives, with a major tree-planting exercise in the hills of St. Ann and Clarendon. The team also supported renovations to the May Pen Hospital and refreshed the B.B. Coke High School's library and its Home Economics classroom and beautified the school's exterior.

JMMB team members as well as their families suited up and took part in 5Ks including the Sigma Corporate Run, Dress for Success, Relay For Life, Reggae Marathon and Grace Kennedy Education Run.

Pickney Love

Contributing to the general welfare of children living with HIV/AIDS, the Foundation handed over a cheque valued at \$1.18m to the Dare to Care facility which is run by Mustard Seed Communities. The million dollar-plus donation from the Foundation, was enriched with a JMMB staff contribution of \$180,000 towards this critical cause.

We are thankful that God has enabled us to do our part as an arm of a corporate entity, recognizing that it is our responsibility and our purpose to support the building of our society. In essence, it is about realizing dreams, achieving our full potential as individuals, communities and a nation and recognising our power within. It is about love and respect, but most of all it is about a willingness to serve, which is an intrinsic characteristic of a good corporate citizen.



Kim Mair (second right), chief executive officer of the Joan Duncan Foundation, explains to Monsignor Gregory Ramkissoon, founder of Mustard Seed Communities Jamaica, the breakdown of the \$1.18M donation to the Dare to Care facilities by the Joan Duncan Foundation and the JMMB staff. Looking on are Moya Leiba-Barnes (left), General Manager, JMMB Merchant Bank Limited, and Donna Reynolds, Administrator for the HIV/AIDS programme for Mustard Seed Communities. The funds will go towards the purchase of a new bus.





Darcy Tulloch-Williams,
Executive Director,
Mustard Seed Communities,
Jamaica explains the work done at
'Father's House' on Mahoe Drive to (l-r)
Kim Mair, Chief Executive Officer of the
Joan Duncan Foundation; Donna Reynolds,
Administrator for HIV/AIDS programme
for Mustard Seed Communities; Moya
Leiba- Barnes, General Manager, JMMB
Merchant Bank Limited and Father
Garvin Augustine, Executive Director,
Mustard Seed Communities
International.

MSBM STUDENTS GET THIRD WIN IN OFCVC BUSINESS COMPETITION

Mona School of Business & Management (MSBM) M.B.A. students Alicia Brown and Ana-Kay Green continued the University of the West Indies' (UWI) growing tradition of winning the Opportunity Funding Corporation (OFC) Innovation & Entrepreneurship competition which is held annually in Atlanta, Georgia. The duo, which competed in the Thurgood Marshall Fund sponsored event from Thursday April 10 to Saturday April 13 also won awards for both Best Presentation and Best Business Plan. The young ladies are the third UWI team to win the overall competition in four (4) years. The UWI team has in previous years won the Award for Outstanding Presentation on two occasions. The champion

team presented their plan for the Regal Farms Limited a West Indian Sea Island Cotton (WISIC) farming business, and qualified to compete in the global Venture Labs Investment Competition to be held at the University of Texas, Austin in May of this year.

The Regal Farms Ltd. venture involves the growing of West Indian Sea Island Cotton in Clarendon, Jamaica to provide for an undersupplied international niche market. Regal Farms Ltd. will commercially cultivate authentic WISIC for the production of premium quality lint for export to the international market. MSBM and members of the Private Sector collaborated to coach



Mona School of Business & Management (MSBM) M.B.A. Students Alicia Brown (centre left) and Ana-Kaye Green (centre right) celebrate after winning the Best Overall award as well as the Best Presentation and the Best Business Plan awards in the Opportunity Funding Corporation (OFC) Innovation & Entrepreneurship competition held Thursday April 10- Saturday April 13 in Atlanta, Georgia, USA. Also pictured are Larry Waters (left), Director of the OFC Innovation & Entrepreneurship Program, Janice Henlin (second left) Marketing Director at MSBM, Douglas Lindo (second right), Adjunct Lecturer /Team Faculty Advisor at MSBM and Scott Lilly (right), President of the OFC.



the team, with mentors such as Douglas Lindo, Adjunct Lecturer at MSBM and Faculty Advisor for the team, alongside James Moss-Solomon and Harry Smith, Executives in Residence at MSBM, Elaine Commissiong - Chairman and Executive Director at CARA Ltd. Communication Consultants, Mark Chisholm - Executive Vice President of Sales in the Individual Life Division at Sagicor, Roy Reid Manager, Client Portfolios & Investment Strategies at JMMB, Sacha Walters-Gregory, member of the 2013 OFC winning Team, and MSBM adjunct lecturers Jacqueline Scott-Crossley, Herman Athias, and Vennecia Scott.

The Regal Farms team advanced to the OFC event as a result of their victory in the UWI Venture Competition (UWIVC) held earlier this year. The UWIVC program operates as an incubation

model, with teams of both undergraduate and graduate students being mentored through the business plan process and pitching their ideas to a panel of esteemed public and private sector judges. The programme nurtures new ideas for products and markets until they can be matured into a profitable operation. This year, sponsors Joan Duncan Foundation and Scotia Bank Jamaica's Small Medium Enterprise Division, came on board to show their commitment to facilitating nation building through entrepreneurial development and growth. Other sponsors include UHY Dawgen and Mona Business Support Services.



JMMB Team:
Love, Integrity, Fun
& Togetherness

1



1.
The JMMB team leaves their mark in the forest during the Labour Day Project which saw the team planting over 600 trees to preserve Jamaica's forest and increase the natural beauty of the country.

2



2.
JMMB team members smile for the camera before planting pointers.

3



3.
JMMB Netball team cops the winning trophy at the annual Business House Netball Uniform Parade.



4



4.
JMMB's Ocho Rios team takes team work to another level with coordinating attire for the evening's event.

5.
JMMB team members go Back-To-School.

6.
Team Embrace - Lance Duhaney, Wayne Beckford, Moya Leiba-Barnes, Jerome Smalling and Fornia Young.

5



6



Vision of Love.

JMMB is seeking to create an organizational environment in which team players can achieve their full potential. Accordingly, the teams at JMMB are committed to a long-term ongoing process of holistic development that recognizes the complete development of the individual. JMMB is therefore, a medium through which individuals may have dreams for themselves; and can extend those dreams beyond the organization into an infinite, prosperous and abundant society and universe. Each person is loving and respectful of each other; and represents an important link in a chain of LOVE serving each other, sharing ideas; building each other. Hence the JMMB vision is shared by all team players.

The JMMB Team is clear that the organization is based on UNCONDITIONAL LOVE and MUTUAL RESPECT. This LOVE is expressed in ongoing day to day working relationships and performance. Unconditional love is expressed in every interaction and is the foundation upon which the organization rests. Love motivates the JMMB team to serve our clients who are a very special part of our family. The driving force of the organization is to provide opportunities for team players to expand their potential, to recognize the power within and their ability to fully express and manifest this power to the benefit of the individual, the organization and the society. In the process, all individual and organizational goals are achieved.

This is the central ethos / philosophy of JMMB and becomes increasingly challenging as the organization increases in size. This innovative approach to life represents a new way of looking at the world, where equality and equity are dominant. Hence, this represents a paradigm shift.





JMMB is therefore, actively and publicly involved in charitable and voluntary activities within the society and recognizes and accepts its social responsibility, understanding that it has everything to do with JMMB which is part of the link in the wider chain. With this perspective, the JMMB team recognizes diversity, while celebrating differences among team members, realizing that there are commonalities that bind members together. When this "One-Ness" is accepted, nurtured and developed, this enhances the ongoing implementation of the shared vision. The intention is to ensure that wherever conflict exists, we aspire to a positive outcome.

JMMB is committed to life in all its abundance. Accordingly, team players recognize the links between the organization and the wider society and the inter-relatedness of all life. In keeping with this, JMMB is committed to being actively concerned with the conservation, preservation and sustenance of the natural environment in order to ensure sustainable development.

The atmosphere that JMMB is in the process of developing, may be defined as an energy field where overlapping circles of creativity, passion, excitement, fun and laughter coexist in a dynamic process that ultimately leads to higher and higher levels of self-actualization; hence, the achievement of the organizational mission. This is a loving, caring and honest atmosphere where ideas are valued and shared openly; where a balance is created between aspirations and practical aspects of work and life, between actualization and potential. There is no fear, no limitations, no boundaries. Team members are therefore expected and encouraged to be genuine, taking responsibility to express anything they feel, knowing that it is safe to do so. To ensure this, JMMB is committed to provide an open forum for ideas to be discussed, tested and implemented in order to help each other grow.

Team Members, therefore, envision JMMB as the premier financial institution of its kind: successful, professionally managed with excellent team members giving exceptional client care and striving to achieve excellence in all areas of life. Team members see JMMB continuing to expand beyond Jamaica, retaining its spiritual characteristics and therefore, developing all the disciplines required for its continued success.





*Accountability
Transparency
Integrity*

*Power lies with
strong bonds.*



Corporate Governance

“Corporate governance is concerned with holding the balance between economic and social goals and between individual and communal goals. The governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align as nearly as possible the interests of individuals, corporations and society.” (Sir Adrian Cadbury, UK, Commission Report: Corporate Governance 1992).

Good governance plays a crucial role in achieving and preserving public trust and confidence in the financial industry, which is essential for the proper functioning of the financial sector and the economy as a whole. Weak corporate governance can result in the public’s loss of confidence in a financial institution’s ability to effectively manage its assets and liabilities, and may inevitably contribute to the failure of the financial institution.

The core principles on which the Group operates include the following:

- conducting the business with integrity and fairness;
- transparency in all transactions;
- timely disclosures and decisions, complying with all the laws and regulations in the jurisdictions in which we operate ;
- accountability and responsibility towards the stakeholders and
- a commitment to conducting business in an ethical and transparent manner.

The Board of Directors is committed to high standards of corporate governance and sees this as critical to strong business performance and investor confidence. JMMB’s corporate governance policies and procedures are built on a number of regulatory standards including the Bank of Jamaica, the Stock Exchanges in Jamaica, Trinidad and Tobago and Barbados, the Trinidad and Tobago Securities Exchange Commission, the Financial Services Commission of Barbados and Jamaica and the PSQJ Code on Governance. JMMB is a member of the Caribbean Corporate Governance Institute and is also guided by its principles.

This report sets out our approach to governance and explains the structure of the Committee, how it operates and its accomplishments during the year under review.

Responsibilities of the Committee

Below is an excerpt of the Committees’ responsibilities:

- Ensure that the Board composition enables effective oversight of the Group.
- Assess routinely whether the Board and its Committees are functioning effectively. The Board and its Committees have provided in their respective charters that the Committee members shall conduct annual self-evaluations.
- Lead the evaluation of the Directors and the Board and report the results of the evaluations to the Board.
- Monitor general matters related to Corporate Governance and conduct.
- Establish policy framework and procedures to deal with matters of conflict of interest.
- Review periodically the size and composition of the Board and make recommendations as appropriate.

Board Role and Function

The primary role of the Board of Directors is to provide effective leadership and oversight of the Group’s affairs for the benefit of its shareholders and its other stakeholders, including its clients, team members, suppliers, local communities and regulators. In this context, the Board provides guidance and support to the



Executive Team Leaders (ETLs), ultimately ensuring the safe and sound operation of the organisation. In that regard, the Board ensures that:

- The number of ETLs is proportionate to the size, scope and complexity of the Group's operations.
- The ETL's oversight and direction are adequate to cover all areas of the Company's operations.
- Fit and proper assessments are conducted for all executives, consistent with the requirements of the relevant regulatory authorities. The Board has the power to remove any member of the ETL where such an individual has not been deemed 'fit and proper'.
- The regulatory authorities are promptly advised of all proposed ETL appointments, resignations and dismissals, with details of the reasons for any such actions.
- Appropriate succession systems are in place to identify, measure and monitor gaps in roles critical to the continuity of business operations.

Decisions taken by the Board are informed by reasonable and balanced assessments of all relevant information. In all actions taken by the Board, the Directors are expected to exercise independent thinking and sound business judgment in what they reasonably believe to be the best interest of the Group. In exercising this obligation, Directors may rely on advice provided by ETLs as well as outside advisors and auditors.

In January 2014, we commenced convening Board meetings bi-monthly rather than monthly. However, when necessary, meetings are convened outside of the schedule to consider matters which are deemed urgent and critical to the strategy and operations of the company.

Composition of the Board

The composition and structure of the Board is consistent with local statutory and regulatory requirements and best practices. The size and complexity of the Group are also considered in determining the composition and structure of the Board. All Directors are competent, knowledgeable and experienced professionals who provide strategic guidance and visionary leadership to the company.

- There are ten (10) members, of which seven (7) are independent members and executive Directors.

- The quorum is formed by a minimum of four (4) members of which two (2) shall be Independent Directors.
- There is a mix of Independent and Executive Directors, with a sufficient number of Independent Directors so that the Board Committees have the required number of Independent Directors. This is a minimum of three (3) Independent Directors, one of whom will serve as Chairman of each Board Committee. At least one of the Executive Directors shall not be connected by significant independent shareholding.
- The roles of the Chairman and the CEO are separate, in keeping with international best practices.

Directors

- An Executive Director is a Director who is part of the current management team of the Group.
- An Independent Director is a Director who:

Is not a substantial shareholder (10% or more) of the company, or a controlling person of a non-listed financial institution (or member of a group of individuals and/or entities that collectively exercise control over the financial institution), or otherwise associated directly or indirectly with a substantial shareholder or controlling person of a financial institution.

Is not connected to a company that provides material advice or consultancy to the financial institution or its connected or related parties. The nature of the advice or consultancy provided would not be considered material if it does not impact the critical operations of the financial institution.

Is not involved in any material business arrangement with the financial institution.

- Business arrangements are not considered material and are not likely to jeopardize the Director's judgment and thereby his /her independence if:
 - the arrangements are usually and customarily offered to clients of the company,
 - the arrangements are offered on substantially similar terms as those prevailing at the time for comparable transactions with other clients under similar circumstances;
 - the person is not a member of the immediate family of an individual who is, or has been during the past two years employed by the company,



- the person is not, nor in the past two years has been, affiliated with, or employed by a present or former auditor of the company, or any of the auditor's connected or related parties.

Board Committees

Each committee has at least three (3) Independent Directors and is governed by a charter that outlines its role and responsibilities. In accordance with best practices and established principles of corporate governance, the Board delegated some of its responsibilities to the following sub-committees.

- Audit Committee
- Risk Committee
- Human Resources and Compensation Committee
- Finance Committee
- Nominations Committee
- Corporate Governance

The Directors bring to the group wide and diverse areas of expertise and experience, with knowledge in the areas of financial management, accounting, strategy, human resources, risk management and corporate governance.

Board Composition and Expertise

| NAMES | COMPOSITION | | AUDIT | RISK | COMMITTEES HR & COMPENSATION | FINANCE | NOMINATIONS | CORPORATE GOVERNANCE |
|--------------------|-------------------------|---------------|----------|----------|------------------------------------|----------|-------------|-------------------------|
| | TITLE | POSITION | | | | | | |
| Noel Lyon PhD | Chairman | Non-Executive | | | Member | | Member | Member |
| Keith Duncan | Director & Group CEO | Executive | | | | | | |
| Donna Duncan-Scott | Director | Non-Executive | | | Member | | Member | |
| Archibald Campbell | - | Non-Executive | Chairman | Chairman | | Chairman | | |
| Anne Crick PhD | - | Non-Executive | | | Chairman | | Chairman | Chairman |
| V. Andrew Whyte | - | Non-Executive | Member | Member | | Member | | Member |
| Wayne Sutherland | - | Non-Executive | | | | | Member | |
| Dennis Harris | - | Non-Executive | Member | Member | Member | Member | | |
| Rodger Braham | - | Non-Executive | | Member | | | Member | Member |
| Hugh Duncan | Director | Executive | | | | | | |



Board Expertise

| | GENERAL MANAGEMENT | FINANCIALS | STRATEGIC MANAGEMENT | BANKING | CORPORATE FINANCE | ASSET MANAGEMENT | INSURANCE | PROPERTY | OTHERS |
|--------------------|-----------------------|------------|-------------------------|---------|----------------------|---------------------|-----------|----------|---|
| Noel Lyon PhD | • | • | • | • | • | • | | | • |
| Keith Duncan | • | • | • | • | • | • | | | |
| Donna Duncan-Scott | • | • | • | • | | | | | Leadership Development |
| Archibald Campbell | | • | • | • | • | • | • | | |
| Anne Crick PhD | • | | • | | | | | | Human Resources and Client Experience |
| Hugh Duncan | • | • | • | • | • | | | | |
| V. Andrew Whyte | | • | • | • | • | • | • | | |
| Wayne Sutherland | • | • | • | | • | | | | • |
| Dennis Harris | • | • | • | | • | • | | | |
| Rodger Braham | • | • | • | • | • | • | | | |

Audit

The Audit Committee assists the Board in discharging its duties with regard to managing the Group's operational risks as well as the maintenance of proper records and controls. It also ensures that the financial transactions of the Group are consistent with the policies and directives of the Board. The Audit Committee further ensures truth, fairness and compliance with statutory and other relevant requirements in any public statement of a financial nature made by the Group, whether or not such a statement is the subject of audit or any other professional scrutiny and opinion. For the financial year ending March 31, 2014, there were four (4) meetings in which the Committee discussed and reviewed the areas audited by PricewaterhouseCoopers (PwC), assessed the level of compliance with legal and regulatory requirements and reviewed the audits of the various departments and subsidiaries of the Group. No significant issues were identified and the Board is satisfied that PwC has performed its duties in an objective and transparent manner. Recommendations for improvements and/

or adjustments were made by the Auditors to management and the Board. These were accepted, and were either implemented or are in the process of being implemented.

Finance

The purpose of the Finance Committee is to assist in Board's oversight of:

- the integrity of the Group's financial statements
- compliance with legal and regulatory requirements
- the performance of the external auditor
- the timely and accurate publishing of financial reports to our shareholders and the public at large, in keeping with the relevant regulations
- the review and approval of budgets
- the acquisition of assets not used in the normal course of operation, and
- the review of all financial information published for public use.



For the financial year, six (6) meetings were convened to review the audited and the unaudited financials of the Company and the Group. KPMG was reappointed as the external auditor, as the Board is satisfied that the un-audited and audited financials are complete, consistent and conform to accounting principles.

Risk

This is a standing committee that supports the Board in ensuring that a robust risk management framework is applied across the Group, and with the Board's oversight of the Company's risk management policies and procedures. The Committee has the authority to view all books and records of the Company, and has full access to JMMB's facilities and personnel. The Committee may engage independent counsel and other advisers as it deems necessary. It also has the authority to approve risk policies, subject to Board ratification, and is also responsible for ensuring that appropriate policies, procedures and practices are in place to handle the risks to which the Company is exposed. Transactions above a specified size and of a certain nature require the consent of the Committee and it also opines on proposed changes to the overall risk profile of the Company. Ten (10) meetings were convened during the financial year and various policies, both Group wide and subsidiary specific, were reviewed.

HR and Compensation

The purpose of the Human Resources and Compensation Committee is to assist the Board of Directors in discharging its duties with regard to the Company's Human Resource Management, ensuring that the activities are consistent with the policies and directives of the Board, and formulating and reviewing the compensation programmes for senior executive officers and Board members. This Committee ensures that compensation is consistent with the objectives, strategy and control environment across the Group to ensure truth, fairness and compliance with the legal requirements of the country and the Company's mission and values. For the financial year there were two (2) meetings. The matters discussed were:

- Performance management of the Group
- Review and revamping of jobs in the Group to achieve greater efficiency
- Group Structure

The Committee also met on an ad hoc basis to interview and assess candidates for senior positions in the Group.

Corporate Governance

The purpose of the Corporate Governance Committee is to assist the Board with:

- the oversight of general matters related to Corporate Governance and conduct
- establishing policy framework and procedures to deal with matters of conflict of interest.

The Committee met two (2) times to review the corporate governance policy of the group. The Directors also did a self and group assessment, which was then reviewed by the Corporate Governance Committee for areas that needed particular attention. The Chairman of the Corporate Governance Committee sought to probe specific areas and to get additional feedback through a meeting with Independent Directors. Feedback from that meeting is currently being incorporated and is being monitored by the Corporate Governance committee. The assessment will be an annual exercise in keeping with best practices of corporate governance.

Nominations Committee

The Purpose of this Committee is to assist the Board to:

- identify individuals qualified to become Board members
- ensure that the Board composition enables successful management of the Group
- select, or recommend that the Board selects, Director nominees meeting the fit and proper requirements stipulated by the Bank of Jamaica and Financial Services Commission and to
- provide the Board with self-assessments of Board effectiveness on an annual basis.

The Committee met four (4) times during the financial year and discussed the make-up of the Board and Committees, and also opined and agreed on the proposed Directors for Intercommercial Bank Limited and its committees.

The Committee also reviewed the make-up of the subsidiary boards, ensuring that there was an adequate mix of expertise based on the business model of the subsidiaries.



Attendance Board of Directors and Sub-Committee Meetings - April 2013 – March 2014

| NUMBER OF MEETINGS HELD FOR THE YEAR | | 11 | 4 | 10 | 2 | 4 | 2 | 6 |
|--------------------------------------|---------------|-------|-------|------|-------------------|-------------|----------------------|---------|
| NAMES | POSITION | BOARD | AUDIT | RISK | HR & COMPENSATION | NOMINATIONS | CORPORATE GOVERNANCE | FINANCE |
| Noel Lyon PhD | Non-Executive | 11 | | | 1 | 4 | 2 | |
| Keith Duncan | Executive | 10 | | | | | | |
| Donna Duncan Scott | Executive | 8 | | | 2 | | | |
| Archibald Campbell | Non-Executive | 8 | 3 | 8 | | | | 6 |
| Anne Crick PhD | - | 9 | | | 2 | 4 | 2 | |
| V. Andrew Whyte | - | 11 | 4 | 9 | | | 2 | 4 |
| Wayne Sutherland | - | 9 | | | | 3 | 2 | |
| Dennis Harris | - | 10 | 4 | 9 | 2 | 2 | | 6 |
| Rodger Braham | - | 10 | | 9 | | 4 | 2 | |
| Hugh Duncan | Executive | 9 | | | | | | |

Directors' Compensation

JMMB compensates its Directors fairly and responsibly and aligns remuneration policies to the Company strategy. For the financial year, the organisation paid a total of JA\$29,741,000 for the company and JA\$61,357,000 for the Group in compensation. This increase is due to the acquisition of the Capital and Credit Financial Group and Intercommercial Bank Ltd.

Regulatory Compliance

The Group Compliance Manager provides a monthly regulatory report to the Board of Directors on all its subsidiaries. It is the responsibility of the Compliance Department to ensure that the Group is in compliance with all laws and regulations, policies and procedures and standards of good practice in the various territories in which members of the Group operate. The Board is also satisfied that the compliance issues raised during the financial year have been properly addressed and resolved and that there are no material issues outstanding.

The Board understands the regulatory framework under which the Group operates and co-operates with Regulators to ensure that the financial system is safe and sound. The Board and Management therefore:

1. maintain open communication with the Regulators on all material issues pertaining to the Group,
2. comply promptly and fully with requests for information as required by law,
3. are aware of the findings of the on-site examination process and direct senior management to determine whether similar problems exist elsewhere in the Group and take corrective action, and
4. ensure that there is annual training of all team members and Directors on the Proceeds of Crime Act, Code of Ethics, Know Your Client and Employees and any new regulations.

No significant issues were identified in regulatory audits conducted during the financial year.

Code of Ethics

The Company has adopted the Code of Ethics and Standards of Professional Conduct of the Association for Investment Management and Research (AIMR®) and each recruit is trained on same in their orientation. There is also an annual refresher course for all team members and Directors.



Directors' Training

All Directors were trained in the following areas:

- Legislative and Regulatory Framework for the Financial Sector
- POCA (Proceeds of Crime Act)
- Money Laundering and Red Flags
- Duties of Financial Institutions
- Reporting Obligations
- Know Your Client/Know Your Employees
- Code of Ethics
- FATCA (Foreign Account Tax Compliance Act).

All Directors passed the test that was administered on the topics above.

As the Group expands, the role of corporate governance has become more critical to ensuring that JMMB lives up to the ideals of its founders and the expectations of its shareholders. The review of the corporate governance guidelines and feedback from Board members is intended to ensure that we remain grounded in those ideals and expectations and receive early warning of any deviation.

As a Board we are committed to upholding the principles of good governance, strong and effective controls and to being responsible for the long term success of the Company.



Anne Crick Ph.D.

Chairman

Corporate Governance Committee



Annual Risk Report

Safeguarding Stakeholders' Interest

The JMMB Group has as its core the best interest of our customers and by extension stakeholders. As such, expansion and diversification across business lines and geographic exposures is within the context of a sound risk management framework, whereby material risk exposures are continuously measured, monitored and controlled where necessary. Strategic initiatives are conceptualized and executed within the ambit of the risk parameters articulated by the Board of Directors, which safeguard the long term profitability of the Group. While the Board and Senior Management teams ensure that the organization maintains an appropriate risk culture and risk management is embedded in the functions of each team member, risk monitoring is largely carried out by the Group Risk Department. In the 2013/2014 Fiscal Year, the JMMB Group continued to focus on strengthening the risk management framework to accommodate the expanding range of financial services as well as new entities acquired by the JMMB Group. We also continue to focus on an enterprise risk management framework in which risk measures are integrated and linkages between risks are clearly identified. This approach allows management to have a holistic view of the Group's risk exposures and ensures that they are adequately managed at all levels throughout the organization.

RISK MANAGEMENT PRINCIPLES

The JMMB Group remains committed to the following core principles of its risk management framework

- i. There is a vibrant risk management culture embedded in the organization as well as the Board, Senior Management, Team Leaders and all team members throughout the entities in the Group who are aware of and aligned on their roles and responsibilities in risk management.
- ii. Best practice risk management techniques are employed in managing

the various risks to which the Company is exposed and adequate resources are allocated to the management of risk.

- iii. Effective and adaptive processes are implemented for the ongoing identification, measurement and management of material risk exposures.
- iv. The enterprise is adequately capitalized to protect against the effects of major shocks to the company and its subsidiaries.

RISK APPETITE

Business operations will invariably be exposed to the likelihood that outcomes do not meet expectations. This uncertainty may be advantageous and present an opportunity or be detrimental and pose a risk to continued growth and profitability. As a result, businesses need to identify potential adverse outcomes and determine how they will be managed.

Given that JMMB Group's vision is predicated on increasing stakeholders' value and providing world-class service to our clients, JMMB's Board of Directors determine the acceptable level of risk



that is entrenched in our strategies. Policy limits are therefore put in place for each major category of risk. These essentially reflect a statement of our risk appetite and guide the strategic objectives that are pursued. Within the ambit of our risk appetite, the risk tolerances for specific risk exposures are quantified and documented in respective risk policies. Examples of these include internal minimum capital adequacy ratios and maximum allowable liquidity gap ratios. Articulation of risk tolerances serve as references for risk monitoring and control.

Even though there are overall risk tolerances for the JMMB Group, there are also entity-specific risk tolerances that take into consideration the idiosyncrasies of business lines as well as geographic locations. This ensures that across the Group, risk undertaken is commensurate with the relevant risk appetite.

MAJOR RISK RELATED DEVELOPMENTS FOR FY 2013/14

Given JMMB's expansion in the region, the Group is mindful of the outlook for the territories where its subsidiaries are located, namely Jamaica, Trinidad and Tobago and the Dominican Republic. For Jamaica, during the financial year, the landscape reflected tightened liquidity conditions, investor hesitation regarding the state of the economy in the context of the new IMF programme, as well as sentiments of concern surrounding the notable devaluation of the Jamaican dollar. Liquidity conditions tightened throughout the year partly as a result of the manner in which the Government managed its placement of funds within the market. Investor uncertainty initially

reflected the lack of clarity around the establishment of a new IMF arrangement which was executed on May 1 2013. However, the government's progress in achieving targets for the IMF programme gradually reduced uncertainty during the year.

Trinidad and Tobago's economic and financial markets displayed stability during the year, with signs of improved growth going forward. Interest rates remained at low levels in the context of no significant change in inflation. Economic and financial market conditions are anticipated to be supportive of growth prospects for JMMB's operations within the jurisdiction.

The Dominican Republic continued to register substantive growth in 2013, approximately 4.1%, which supported demand for financial services within the country. Changes in expectations for global interest rates impacted the market during the second half of 2013, as local market conditions realigned in response to global financial markets. Continued advancement in market infrastructure, regulatory framework and

4.1%

Growth In
Dominican Republic

investor demand for suitable financial products continue to facilitate JMMB's growth within the country and provide opportunity for expansion in the financial solutions offered to clients.

Global financial markets remained relatively stable throughout the year, with continued growth in major developed markets. Within the United States, financial market valuations remain robust with major market equity market indices gaining traction, however there was a slight shift in expectations for long-term interest rates as investors seek to anticipate the eventual timing of changes in Federal Reserve's monetary policy. The Eurozone displayed signs of improving economic recovery (though prospects are varied within the Zone), reflecting improved investor confidence and general market stability.

JMMB continues to adjust its financial profile and actively manage its risk exposures to position itself to take advantage of market opportunities and ensure resilience even if significant adverse market conditions should develop in global markets or in any of the jurisdictions in which we operate.

STRONG RISK GOVERNANCE FRAMEWORK

The practice of risk management continues to be deeply rooted in the JMMB culture – the Board, Executive Management, Team Leaders and team members alike are aware of their role and responsibility in risk management. As the JMMB Group continues to expand its product offering across the Caribbean, this occurs within the context of a robust risk management framework wherein new entities and



business lines are quickly integrated in the Group's framework. Additionally, given the ever-changing environment that the Group operates in, risk management techniques are adjusted to accommodate market changes.

While the Board of Directors of the JMMB Group determines the overall level of acceptable risk, active oversight is provided by the Board's Risk Committee that approves and monitors the supporting risk tolerances. Thus, the

Board Risk Committee provides strategic direction for the Group and ensures that the risk governance framework remains strong. The Board Risk Committee is directly supported by other committees within the Group; these are Risk Management, Credit Management and Asset Liability Management Committees which convene regularly and more closely monitor the risk exposures of the company and its subsidiaries against the limits set by the Board Risk Committee. Furthermore, to ensure that risk

management is a part of the fabric of the Group, members of the Group Risk Department are included on committees that address the strategic objectives of the Group. In conjunction, JMMB Group has instituted a formal internal capital adequacy assessment process (ICAAP) which supports our strategies and will culminate in the implementation of a comprehensive enterprise risk management framework.

Risk Measurement & Control

The operations of the JMMB Group gives rise to the following material risk exposures: market risk, credit risk, liquidity risk and operational risk.

MARKET RISK

Market risk is the likelihood that there is a decline in the value of assets due to adverse movements in market factors such as interest rates, foreign exchange rates and equity prices.

In accordance with international best practices, the JMMB Group monitors both the market risk exposures within individual entities and consolidated exposures across the countries in which we operate. This is accomplished using the Value-at-Risk (VaR) framework, in conjunction with frequent scenario analysis and stress testing.

Value-at-Risk provides a single measure that captures the potential loss in the portfolio over a specific time period and for a given probability. This metric is widely used by financial institutions

globally and currently, JMMB computes a 10-day Monte Carlo VaR using a 99% confidence level, which may be adjusted to meet specific needs. Though the usefulness of the VaR measure is accepted, one of its main drawbacks is that it does not approximate 'worst-case losses'.

As such, the Group Risk Department also estimates expected shortfall (which is the expected loss given that the VaR is exceeded), augmented by stress tests and scenario analysis. Stress tests estimate unlikely yet plausible situations, while the scenario analysis model historical financial crises both locally and internationally. In each instance, we assess the capacity of JMMB to withstand the occurrence of such low probability yet high impact events. This monitoring is done at least monthly and reports are presented to the Board.

Note 31 (d) provides details of VaR levels throughout the financial year.

INTEREST RATE RISK

Interest rate risk is the possibility that there will be adverse movement in the value of the fixed income investments arising from fluctuations in the level, slope and curvature of the yield curve. The JMMB Group has material exposure to interest rate risk given the nature of its business. Interest rate risk is managed using duration analysis and estimation of repricing gaps. Duration reflects an instrument's sensitivity to interest rate risk while repricing gap approximates the potential change in net interest income.

Portfolio exposures are adjusted to take advantage of expected market conditions, while limiting losses, should adverse conditions occur.



CURRENCY RISK

In alignment with our value proposition of providing simple, transparent solutions, the JMMB Group provides financial products in various currencies. This gives rise to currency risk which represents the possibility of adverse change in the exchange rate for any two currencies. Net positions for all the foreign currencies are monitored and hedged where necessary.

Note 31 (d) (i) provides additional details on our foreign currency exposures.

CREDIT AND COUNTERPARTY RISK

Credit risk is the loss of principal or loss of a financial reward stemming from a borrower's failure to repay a loan or otherwise meet a contractual obligation. JMMB is exposed to credit risk from its lending, investment and funding activities, where counterparties have contractual obligations to make payments or facilitate transactions. The Board indicates a tolerance level for credit risk, which is actively managed by the credit risk team.

For our lending activities, limits are set on credit exposures by various classifications, such as economic sector, collateral type provided, loan purpose and customer profile. JMMB applies quantitative techniques to the provision and pricing of credit facilities, thereby facilitating better business decisions. JMMB therefore seeks to ensure that the expected return on a credit facility is reflective of its level of risk, which allows the Company to better deploy its capital and provide fair pricing of loans to clients.

Using our internally developed models

and fundamental research, we assign ratings and determine exposure limits to counterparties arising from investment and funding activities. This is augmented with the use of third-party research, where practicable. Material counterparties are actively monitored and their ratings updated based on changes to their financial outlook.

Counterparty credit assessments are conducted prior to material exposure to any entity and quarterly reviews done for material counterparties, to ensure changes in the financial health of counterparties are detected early. The proactive nature of the monitoring of counterparties allows JMMB to identify any entity and adjust exposures and contractual terms to acceptable levels.

Given the expansion of the Group geographically, we continuously improve our counterparty risk management capabilities to better manage Group-wide exposures. This is done in the context of an expansion in the universe of products and services to corporate and institutional clients.

LIQUIDITY RISK

Liquidity risk is the possibility that a firm will be unable to meet financial obligations without suffering large losses. Liquidity risk refers to both funding liquidity risk - where a firm is unable to meet its financial obligations as they become due at an economic price and also asset liquidity risk - where a given security cannot be sold at its market value due to insufficient market depth. Given that liquidity risk is often a consequence of other types of risk as well as the significant impact it can have on a financial institution, it is quite

actively managed within the Group.

While there is an overall Group liquidity risk policy which specifies minimum liquidity requirements for the business as well as, other guidelines and limits which provide stronger assurance that all obligations can be met even under very stressful market conditions, there are also entity-level liquidity policies. These are informed by the liquidity gaps, retention rates, business models and market conditions. Key liquidity metrics monitoring liquidity gaps, overall liquid assets to total assets and available liquid assets are regularly monitored to ensure that liquidity objectives are not compromised. Desired capital and liquidity levels are adjusted according to evaluations of market conditions and liquidity conditions.

OPERATIONAL RISK

Operational risk may be defined as "the risk of loss from inadequate or failed internal processes, people and systems or from external events." JMMB has placed more emphasis on operational risk by embarking on a process to enhance its operational risk framework. This ensures that operational risk is limited to acceptable levels within the Group, even as the geographical presence and complexity of operations increases. Rigorous and appropriate control systems and processes, along with operational redundancies and business continuity plans act to safeguard against significant disruptions in our operations. A rigorous compliance framework and independent internal audit programme exists to ensure that controls are maintained and all material risks are properly identified and adequately managed.



Delivering Sustainable Results

JMMB Group remains firmly committed to its strategy of business line and geographic diversification, which has created significant value to shareholders and improved the resilience of the Group. Diversification has also enhanced the product offering of the Group and its ability to meet the needs of its clients regionally.

The flexibility of the JMMB Group's risk management framework allows it to adapt to support the vision of the Group by ensuring that business decisions adequately incorporate the inherent risks involved, so as to unlock sustainable stakeholders' value.





Together We Can
Accomplish Anything.



FINANCIAL
— 31 MARCH 2014 —
STATEMENTS





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- 31 March 2014 -

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INDEPENDENT AUDITORS' REPORT

To the Members of
JAMAICA MONEY MARKET BROKERS LIMITED

Report on the Financial Statements

We have audited the separate financial statements of Jamaica Money Market Brokers Limited ("the company") and the consolidated financial statements of the company and its subsidiaries ("the Group"), set out on pages 133-222, which comprise the Group and company statements of financial position as at 31 March 2014, and the Group and company profit and loss accounts, statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including our assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Jamaica, WI

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To the Members of
JAMAICA MONEY MARKET BROKERS LIMITED

Report on the Financial Statements, cont'd

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the company as of 31 March 2014, and of the Group's and company's financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the Jamaican Companies Act.

Report on additional matters as required by the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner required.

A handwritten signature in black ink that reads 'KPMG', positioned above a horizontal line.

Chartered Accountants
Kingston, Jamaica

May 30, 2014

Consolidated Profit and Loss Account

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

| | Note | 2014 \$'000 | 2013 \$'000 |
|--|-----------|--------------------|--------------------|
| Net Interest Income and Other Revenue | | | |
| Interest income | 5 | 12,279,750 | 11,251,553 |
| Interest expense | 5 | (7,017,265) | (6,603,857) |
| Net interest income | | 5,262,485 | 4,647,696 |
| Fee and commission income | | 426,935 | 247,312 |
| Gains on securities trading, net | | 2,325,348 | 1,692,224 |
| Loss on GOJ's National Debt Exchange | | - | (754,272) |
| Fees earned from managing funds on behalf of clients | | 129,551 | 88,329 |
| Foreign exchange margins from cambio trading | | 587,931 | 322,027 |
| Operating revenue net of interest expense | | 8,732,250 | 6,243,316 |
| Other income | | | |
| Dividends | | 8,578 | 37,741 |
| Other | | - | 34,000 |
| Gain on sale of property, plant and equipment | | 1,000 | 1,795 |
| | | 8,741,828 | 6,316,852 |
| Operating Expenses | | | |
| Staff costs | 6 | (2,877,717) | (2,256,177) |
| Other expenses | 8 | (2,792,530) | (2,360,448) |
| | | (5,670,247) | (4,616,625) |
| Operating Profit | | 3,071,581 | 1,700,227 |
| Impairment loss on financial assets | 7 | (10,898) | (73,798) |
| Impairment loss on intangible assets | 21 | - | (107,000) |
| Gain on acquisition of subsidiaries | 30 | 361,657 | 2,055,592 |
| Share of (loss)/profits of associated companies (net of tax) | | (24,289) | 72,354 |
| Profit before Taxation | | 3,398,051 | 3,647,375 |
| Taxation | 9 | (335,992) | 209,488 |
| Profit for the Year | | 3,062,059 | 3,856,863 |
| Attributable to: | | | |
| Equity holders of the parent | | 2,832,855 | 3,739,058 |
| Non-controlling interest | | 229,204 | 117,805 |
| | | 3,062,059 | 3,856,863 |
| Earning per stock unit | 10 | \$1.74 | \$2.35 |

The notes on pages 146 to 222 are an integral part of these financial statements



Consolidated Statement of Comprehensive Income

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

| | 2014 \$'000 | 2013 \$'000 |
|---|------------------|------------------|
| Profit for the Year | 3,062,059 | 3,856,863 |
| Other comprehensive income | | |
| Unrealised (losses)/gains on available-for-sale investments | (1,483,011) | 1,629,269 |
| Foreign exchange differences on translation of foreign subsidiaries | 157,944 | (93,819) |
| Total other comprehensive (loss)/income, net of tax | (1,325,067) | 1,535,450 |
| Total comprehensive income for year, net of tax | 1,736,992 | 5,392,313 |
| Total comprehensive income attributable to: | | |
| Equity holders of the parent | 1,902,943 | 4,966,887 |
| Non-controlling interest | (165,951) | 425,426 |
| | 1,736,992 | 5,392,313 |

The notes on pages 146 to 222 are an integral part of these financial statements



Consolidated Statement of Financial Position

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

| | Note | 2014 \$'000 | 2013 \$'000 |
|--|------|--------------------|--------------------|
| Assets | | | |
| Cash and cash equivalents | 12 | 23,326,420 | 5,831,430 |
| Interest receivable | | 2,619,996 | 2,220,864 |
| Income tax recoverable | | 2,043,597 | 1,832,210 |
| Loans and notes receivable | 13 | 26,551,175 | 10,227,126 |
| Other receivables | 14 | 1,927,206 | 868,172 |
| Securities purchased under agreements to resell | 15 | 652,986 | 3,890,913 |
| Investment securities | 16 | 145,777,726 | 138,412,944 |
| Membership share | 17 | - | 50,520 |
| Investment properties | 19 | 457,591 | 457,591 |
| Interest in associated companies | 20 | - | 808,306 |
| Intangible assets | 21 | 1,005,314 | 472,522 |
| Property, plant and equipment | 22 | 1,841,497 | 1,296,136 |
| Deferred income tax assets | 23 | 150,384 | 447,951 |
| Customers' liability under acceptances, guarantees and letters of credit as per contra | | 352,227 | 44,276 |
| | | <u>206,706,119</u> | <u>166,860,961</u> |

The notes on pages 146 to 222 are an integral part of these financial statements

Consolidated Statement of Financial Position (cont'd)

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

| | Note | 2014 \$'000 | 2013 \$'000 |
|---|------|--------------------|--------------------|
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 24 | 1,850,279 | 1,850,279 |
| Share premium | | 13,775 | 13,775 |
| Retained earnings reserve | 25 | 9,605,055 | 9,109,778 |
| Investment revaluation reserve | 25 | 636,397 | 1,724,253 |
| Cumulative translation reserve | 25 | 56,233 | (101,711) |
| Retained earnings | | 6,173,689 | 4,096,999 |
| | | <u>18,335,428</u> | <u>16,693,373</u> |
| Non-controlling interest | | 353,552 | 519,503 |
| | | <u>18,688,980</u> | <u>17,212,876</u> |
| LIABILITIES | | | |
| Customer deposits | | 35,887,750 | 7,567,380 |
| Due to other banks | | 283,386 | 378,560 |
| Loan participation | 26 | - | 341,082 |
| Securities sold under agreements to repurchase | 27 | 143,302,425 | 135,907,311 |
| Redeemable preference shares | 24 | 4,228,705 | 2,759,346 |
| Deferred income tax liabilities | 23 | 627,360 | 536,698 |
| Interest payable | | 1,182,974 | 1,193,398 |
| Income tax payable | | 83,671 | 11,546 |
| Other payables | | 2,068,641 | 908,488 |
| Liabilities under acceptances, guarantees and letters of credit as per contra | | 352,227 | 44,276 |
| | | <u>188,017,139</u> | <u>149,648,085</u> |
| | | <u>206,706,119</u> | <u>166,860,961</u> |

Approved for issue by the Board of Directors on 30 May 2014 and signed on its behalf by:



Keith Duncan
Group Chief Executive Officer



Dr. Noel Lyon
Group Chairman

The notes on pages 146 to 222 are an integral part of these financial statements

Consolidated Statement of Changes in Shareholders' Equity

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

| Note | Share Capital \$'000 | Share Premium \$'000 | Retained Earnings Reserve \$'000 | Investment Revaluation Reserve \$'000 | Cumulative Translation Reserve \$'000 | Retained Earnings \$'000 | Total Attributable to Equity | | Non-Controlling Interest \$'000 | Total \$'000 |
|---|-------------------------|-------------------------|-------------------------------------|--|--|-----------------------------|------------------------------|--------------------|------------------------------------|-----------------|
| | | | | | | | The Parent \$'000 | Interest \$'000 | | |
| Balances at 31 March 2012 | 365,847 | 13,775 | 8,222,323 | 402,605 | (7,892) | 1,781,396 | 10,778,054 | 94,077 | 10,872,131 | |
| Profit for the year | - | - | - | - | - | 3,739,058 | 3,739,058 | 117,805 | 3,856,863 | |
| Other comprehensive income for 2013: | | | | | | | | | | |
| Unrealised gains on available- for-sale securities | - | - | - | 1,321,648 | - | - | 1,321,648 | 307,621 | 1,629,269 | |
| Foreign exchange differences on translation of foreign subsidiaries' balances | - | - | - | - | (93,819) | - | (93,819) | - | (93,819) | |
| Total other comprehensive income for 2013 | - | - | - | 1,321,648 | (93,819) | - | 1,227,829 | 307,621 | 1,535,450 | |
| Total comprehensive income for 2013 | - | - | - | 1,321,648 | (93,819) | 3,739,058 | 4,966,887 | 425,426 | 5,392,313 | |
| Issue of shares related to business combination | 24 | 1,484,432 | - | - | - | - | 1,484,432 | - | 1,484,432 | |
| Transfer from retained earnings | 25 | - | - | 887,455 | - | (887,455) | - | - | - | |
| Dividends | 11 | - | - | - | - | (536,000) | (536,000) | - | (536,000) | |
| Balances at 31 March 2013 | 1,850,279 | 13,775 | 9,109,778 | 1,724,253 | (101,711) | 4,096,999 | 16,693,373 | 519,503 | 17,212,876 | |
| Profit for the year | - | - | - | - | - | 2,832,855 | 2,832,855 | 229,204 | 3,062,059 | |
| Other comprehensive income for 2014: | | | | | | | | | | |
| Unrealised gains on available-for-sale securities | - | - | - | (1,087,856) | - | - | (1,087,856) | (395,155) | (1,483,011) | |
| Foreign exchange differences on translation of foreign subsidiaries' balances | - | - | - | - | 157,944 | - | 157,944 | - | 157,944 | |
| Total other comprehensive income for 2014 | - | - | - | (1,087,856) | 157,944 | - | (929,913) | (395,155) | (1,325,067) | |
| Total comprehensive income for 2014 | - | - | - | (1,087,856) | 157,944 | 2,832,855 | 1,902,943 | (165,951) | 1,736,992 | |
| Transfer from retained earnings | 25 | - | - | 495,277 | - | (495,277) | - | - | - | |
| Dividends | 11 | - | - | - | - | (260,888) | (260,888) | - | (260,888) | |
| Balances at 31 March 2014 | 1,850,279 | 13,775 | 9,605,055 | 636,397 | 56,233 | 6,173,689 | 18,335,428 | 353,552 | 18,688,980 | |

The notes on pages 146 to 222 are an integral part of these financial statements



Consolidated Statement of Cash Flows

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

| | Note | 2014 \$'000 | 2013 \$'000 |
|---|------|--------------------------|--------------------------|
| Cash Flows from Operating Activities | | | |
| Profit for the year | | 3,062,059 | 3,856,863 |
| Adjustments for: | | | |
| Interest income | 5 | (12,279,750) | (11,251,553) |
| Interest expense | 5 | 7,017,265 | 6,603,857 |
| Income tax charge | 9 | 335,992 | (209,488) |
| Gain on acquisition of subsidiaries | 30 | (361,657) | (2,055,592) |
| Share of loss/(profits) of associated company | | 24,289 | (72,354) |
| Impairment of financial assets | 7 | 10,898 | 73,798 |
| Impairment of intangible assets | 21 | - | 107,000 |
| Amortisation of intangible assets | 21 | 97,684 | 57,670 |
| Depreciation of property, plant and equipment | 22 | 220,178 | 120,363 |
| Gain on disposal of property, plant and equipment | | (1,000) | (1,795) |
| Unrealised loss on trading securities | | 57,196 | - |
| Foreign currency translation gains | | (476,668) | (503,579) |
| | | <u>(2,293,514)</u> | <u>(3,274,810)</u> |
| Changes in operating assets and liabilities - | | | |
| Income tax recoverable, net | | (184,375) | (316,471) |
| Notes receivable | | (3,129,882) | (1,449,185) |
| Other receivables | | (719,629) | 878,398 |
| Securities purchased under agreements to resell | | 3,237,927 | (1,336,719) |
| Customer deposits | | 5,119,335 | 2,303,892 |
| Due to other banks | | (95,174) | (330,791) |
| Loan participation | | (341,082) | (193,346) |
| Other payables | | 709,978 | (57,007) |
| Securities sold under agreements to repurchase | | 7,395,114 | 10,086,754 |
| | | 9,698,698 | 6,310,715 |
| Interest received | | 11,880,618 | 11,458,722 |
| Interest paid | | (7,027,689) | (6,595,242) |
| Taxation paid | | (33,534) | (863,718) |
| Net cash provided by operating activities (Page 139) | | <u>14,518,093</u> | <u>10,310,477</u> |

The notes on pages 146 to 222 are an integral part of these financial statements

Consolidated Statement of Cash Flows (cont'd)

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

| | Note | 2014 \$'000 | 2013 \$'000 |
|--|-----------|-------------------|--------------------|
| Cash Flows from Operating Activities (Page 138) | | 14,518,093 | 10,310,477 |
| Cash Flows from Investing Activities | | | |
| Investment securities, net | | (6,886,903) | (6,203,724) |
| Purchase of computer software | 21 | (73,064) | (54,662) |
| Purchase of property, plant and equipment | 22 | (311,589) | (261,710) |
| Proceeds from disposal of property, plant and equipment | | 10,076 | 9,405 |
| Acquisition of subsidiaries, net of cash acquired | 30 | 8,897,513 | (1,505,921) |
| Net cash provided by/(used in) investing activities | | 1,636,033 | (8,016,612) |
| Cash Flows from Financing Activities | | | |
| Proceeds from issue of redeemable preference shares | 24 | 1,469,359 | - |
| Notes payable | | - | (470,688) |
| Dividends paid | 11 | (260,888) | (536,000) |
| Net cash provided by/(used in) financing activities | | 1,208,471 | (1,006,688) |
| Effect of exchange rate changes on cash and cash equivalents | | 132,393 | 387,019 |
| Net increase in cash and cash equivalents | | 17,494,990 | 1,674,196 |
| Cash and cash equivalents at beginning of year | | 5,831,430 | 4,157,234 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 12 | 23,326,420 | 5,831,430 |

The notes on pages 146 to 222 are an integral part of these financial statements



Profit and Loss Account

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

| | Note | 2014 \$'000 | 2013 \$'000 |
|--|------|------------------|------------------|
| Net Interest Income and Other Revenue | | | |
| Interest income from securities | 5 | 7,670,214 | 8,136,455 |
| Interest expense | 5 | (4,737,318) | (4,902,279) |
| Net interest income | | 2,932,896 | 3,234,176 |
| Fee and commission income | | 82,351 | 70,756 |
| Gains on securities trading, net | | 1,049,282 | 701,969 |
| Loss on GOJ's National Debt Exchange | | - | (749,484) |
| Fees earned from managing funds on behalf of clients | | 19,829 | 47,837 |
| Foreign exchange margins from cambio trading | | 285,766 | 223,427 |
| Operating revenue net of interest expense | | 4,370,124 | 3,528,681 |
| Other income | | | |
| Dividends | | 2,873 | 13,665 |
| Other | | 45,300 | 64,612 |
| Gain/(loss) on sale of property, plant and equipment | | 1,000 | (220) |
| | | 4,419,297 | 3,606,738 |
| Operating Expenses | | | |
| Staff costs | 6 | (1,671,833) | (1,655,296) |
| Other expenses | 8 | (1,598,094) | (1,549,551) |
| | | (3,269,927) | (3,204,847) |
| Profit before Taxation | | | |
| Taxation | 9 | (199,238) | 96,855 |
| Profit for the Year | | 950,132 | 498,746 |

The notes on pages 146 to 222 are an integral part of these financial statements



Statement of Comprehensive Income

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

| | 2014 | 2013 |
|--|----------------|------------------|
| | \$'000 | \$'000 |
| Profit for the Year | 950,132 | 498,746 |
| Other comprehensive income | | |
| Unrealised losses on available-for-sale investments | (161,733) | (840,514) |
| Total comprehensive income for year, net of tax | <u>788,399</u> | <u>(341,768)</u> |

The notes on pages 146 to 222 are an integral part of these financial statements



Statement of Financial Position

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

| | Note | 2014 \$'000 | 2013 \$'000 |
|---|------|--------------------|--------------------|
| ASSETS | | | |
| Cash and cash equivalents | 12 | 7,463,523 | 3,774,450 |
| Interest receivable | | 1,606,665 | 1,281,833 |
| Income tax recoverable | | 1,694,249 | 1,473,208 |
| Loans and notes receivable | 13 | 3,468,014 | 2,760,375 |
| Other receivables | 14 | 2,105,891 | 1,582,723 |
| Securities purchased under agreements to resell | 15 | 13,522,982 | 17,197,640 |
| Investment securities | 16 | 97,776,242 | 94,681,516 |
| Interest in subsidiaries | 18 | 7,777,963 | 6,200,949 |
| Intangible assets | 21 | 148,360 | 99,004 |
| Property, plant and equipment | 22 | 1,186,645 | 1,124,982 |
| | | <u>136,750,534</u> | <u>130,176,680</u> |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 24 | 1,850,279 | 1,850,279 |
| Share premium | | 13,775 | 13,775 |
| Retained earnings reserve | 25 | 9,605,055 | 9,109,778 |
| Investment revaluation reserve | | (75,792) | 85,941 |
| Retained earnings | | 2,731,989 | 2,538,022 |
| | | <u>14,125,306</u> | <u>13,597,795</u> |
| LIABILITIES | | | |
| Securities sold under agreements to repurchase | 27 | 116,464,345 | 111,588,745 |
| Notes payable | 28 | 75,464 | 380,870 |
| Redeemable preference shares | 24 | 4,228,705 | 2,759,346 |
| Deferred income tax liabilities | 23 | 593,093 | 531,493 |
| Interest payable | | 853,542 | 969,328 |
| Income tax payable | | 40,958 | - |
| Other payables | | 369,121 | 349,103 |
| | | <u>122,625,228</u> | <u>116,578,885</u> |
| | | <u>136,750,534</u> | <u>130,176,680</u> |

Approved for issue by the Board of Directors on 30 May 2014 and signed on its behalf by:



Dr. Noel Lyon
Group Chairman



Keith Duncan
Group Chief Executive Officer

Statement of Changes in Shareholders' Equity

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

| | Note | Share Capital \$'000 | Share Premium \$'000 | Investment Revaluation Reserve \$'000 | Retained Earnings Reserve \$'000 | Retained Earnings \$'000 | Total \$'000 |
|--|------|----------------------------|----------------------------|--|---|--------------------------------|-------------------|
| Balances at 31 March 2012 | | 365,847 | 13,775 | 926,455 | 8,222,323 | 3,462,731 | 12,991,131 |
| Profit for year | | - | - | - | - | 498,746 | 498,746 |
| Other comprehensive income for 2013: | | | | | | | |
| Unrealised gains on available-for-sale investments | | - | - | (840,514) | - | - | (840,514) |
| Total comprehensive income for 2013 | | - | - | (840,514) | - | 498,746 | (341,768) |
| Issue of shares related to business combination | 30 | 1,484,432 | - | - | - | - | 1,484,432 |
| Transfer from retained earnings | 25 | - | - | - | 887,455 | (887,455) | - |
| Dividends | 11 | - | - | - | - | (536,000) | (536,000) |
| Balances at 31 March 2013 | | 1,850,279 | 13,775 | 85,941 | 9,109,778 | 2,538,022 | 13,597,795 |
| Profit for year | | - | - | - | - | 950,132 | 950,132 |
| Other comprehensive income for 2014: | | | | | | | |
| Unrealised gains on available-for-sale investments | | - | - | (161,733) | - | - | (161,733) |
| Total comprehensive income for 2014 | | - | - | (161,733) | - | 950,132 | 788,399 |
| Transfer from retained earnings | | - | - | - | 495,277 | (495,277) | - |
| Dividends | 11 | - | - | - | - | (260,888) | (260,888) |
| Balances at 31 March 2014 | | 1,850,279 | 13,775 | (75,792) | 9,605,055 | 2,731,989 | 14,125,306 |

The notes on pages 146 to 222 are an integral part of these financial statements



Statement of Cash Flows

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

| | Note | 2014 \$'000 | 2013 \$'000 |
|---|------|-------------------------|--------------------------|
| Cash Flows from Operating Activities | | | |
| Profit for the year | | 950,132 | 498,746 |
| Adjustments for: | | | |
| Interest income | 5 | (7,670,214) | (8,136,455) |
| Interest expense | 5 | 4,737,318 | 4,902,279 |
| Income tax charge | 9 | 199,238 | (96,855) |
| Provision for credit losses | | - | 34,967 |
| Amortisation of intangible assets | 21 | 22,320 | 14,657 |
| Depreciation of property, plant and equipment | 22 | 125,111 | 94,040 |
| (Gains)/losses on disposal of property, plant and equipment | | (1,000) | 220 |
| | | <u>(1,637,095)</u> | <u>(2,688,401)</u> |
| Changes in operating assets and liabilities - | | | |
| Income tax recoverable, net | | (221,041) | (69,850) |
| Notes receivable | | (707,639) | 482,928 |
| Other receivables | | (523,168) | (54,231) |
| Other payables | | 20,018 | (9,956) |
| Securities purchased under agreements to resell | | 3,674,658 | (739,424) |
| Securities sold under agreements to repurchase | | 4,875,600 | 12,650,081 |
| | | <u>5,481,333</u> | <u>9,571,147</u> |
| Interest received | | 7,345,382 | 8,227,004 |
| Interest paid | | (4,853,104) | (4,802,480) |
| Taxation paid | | - | (791,637) |
| Net cash provided by operating activities (Page 145) | | <u>7,973,611</u> | <u>12,204,034</u> |

The notes on pages 146 to 222 are an integral part of these financial statements

Statement of Cash Flows (cont'd)

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

| | 2014 | 2013 |
|--|--------------------|---------------------|
| Note | \$'000 | \$'000 |
| Cash Flows from Operating Activities (Page 144) | 7,973,611 | 12,204,034 |
| Cash Flows from Investing Activities | | |
| Investment securities, net | (3,353,139) | (8,472,125) |
| Interest in subsidiaries | (1,577,014) | (3,160,156) |
| Purchase of computer software | 21 (71,678) | (54,662) |
| Purchase of property, plant and equipment | 22 (189,277) | (208,518) |
| Proceeds from disposal of property, plant and equipment | 3,505 | 1,085 |
| Net cash used in investing activities | (5,187,603) | (11,894,376) |
| Cash Flows from Financing Activities | | |
| Proceeds from the issue of redeemable preference shares | 1,469,359 | - |
| Notes payable | (305,406) | - |
| Dividends paid | 11 (260,888) | (536,000) |
| Net cash provided by/(used in) financing activities | 903,065 | (536,000) |
| Effect of exchange rate changes on cash and cash equivalents | - | 403,736 |
| Net increase in cash and cash equivalents | 3,689,073 | 177,394 |
| Cash and cash equivalents at beginning of year | 3,774,450 | 3,597,056 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 7,463,523 | 3,774,450 |

The notes on pages 146 to 222 are an integral part of these financial statements



Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification

Jamaica Money Market Brokers Limited (the “company”) is incorporated and domiciled in Jamaica. The registered office of the company is located at 6 Houghton Terrace, Kingston 10, Jamaica. It has eight subsidiaries incorporated in Jamaica, and there are other subsidiaries incorporated outside of Jamaica. The operating subsidiaries are listed below. The company and its subsidiaries are collectively referred to as “Group”.

The company is exempt from the provisions of the Money Lending Act.



Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification (cont'd)

The principal activities of the Company are securities brokering, securities trading, merchant banking, dealing in money market instruments, operating a foreign exchange cambio and managing funds on behalf of clients. Information on the subsidiaries and the associated companies is set out below:

| Name of Subsidiary | % Shareholding Held by Parent/Subsidiary | | Country of Incorporation | Principal Activities |
|---|--|------------|--------------------------|-----------------------------------|
| | Parent | Subsidiary | | |
| JMMB Securities Limited | 100 | | Jamaica | Stock brokering |
| JMMB Insurance Brokers Limited | 100 | | Jamaica | Insurance brokering |
| Jamaica Money Market Brokers (Trinidad and Tobago) Limited and its subsidiaries | 100 | | Trinidad and Tobago | Investment holding company |
| JMMB Investments (Trinidad and Tobago) Limited | | 100 | Trinidad and Tobago | Securities brokering |
| Intercommercial Bank Limited and its subsidiary, | | 100 | Trinidad and Tobago | Commercial Banking |
| Intercommercial Trust and Merchant Bank Limited | | 100 | Trinidad and Tobago | Merchant Banking |
| JMMB International Limited and its subsidiaries | 100 | | St. Lucia | Investment holding and management |
| JMMB Dominicana, SRL | | 100 | Dominican Republic | Investment holding and management |
| JMMB Puesto de Bolsa,S.A. | | 80 | Dominican Republic | Securities brokering |
| JMMB Real Estate Holdings Limited | 100 | | Jamaica | Real estate holding |
| Capital & Credit Financial Group Limited and its subsidiaries | 100 | | Jamaica | Investment holding |
| Capital & Credit Remittance Limited | | 100 | Jamaica | Funds transfer |
| Capital & Credit Holdings Inc. | | 100 | United States of America | Investment holding |
| JMMB Merchant Bank Limited (formerly Capital & Credit Merchant Bank Limited) | | 100 | Jamaica | Merchant Banking |
| Capital & Credit Securities Limited | 100 | | Jamaica | Investment holding |
| JMMB Fund Managers Limited | 100 | | Jamaica | Fund management |



Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification (Continued)

On 3 October 2013, Jamaica Money Market Brokers (Trinidad and Tobago) Limited, a 100% owned subsidiary, acquired the remaining 50% equity of Intercommercial Bank Limited (IBL), which thereby became a 100% subsidiary of the JMMB Group (Note 30).

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the relevant provisions of the Jamaican Companies Act. These consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of available-for-sale financial assets and financial assets at fair value through profit or loss, as well as investment properties.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

New, revised and amended standards and interpretations that became effective during the year that are relevant to the Group's operations:

Certain new, revised and amended standards and interpretations came into effect during the current financial year. The Group has assessed them and has adopted those which are relevant to its financial statements, viz:

- IAS 1, Presentation of Financial Statements, entitled "IAS 1, Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income", which led to the following changes in the financial statements:
 - (i) Items of other comprehensive income (OCI) that may be reclassified to profit or loss in the future are presented separately from those that would never be reclassified to profit or loss.
 - (ii) The title of the statement has changed from 'Statement of Comprehensive Income' to 'Statement of Profit or Loss and Other Comprehensive Income'.



Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (continued)

New, revised and amended standards and interpretations that became effective during the year that are relevant to the Group's operations (continued):

- IFRS 7, (Amendment) 'Financial instruments: Disclosure' requires disclosures about the effects or potential effects of offsetting financial assets and financial liabilities and related arrangements of an entity's financial position. The adoption of this amendment has not had a significant impact on the financial statements disclosures in the current year.
- IFRS 13, Fair Value Measurement, establishes a single framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value and is applicable to assets, liabilities and an entity's own equity instruments that, under other IFRSs, are required or permitted to be measured at fair value, or when disclosure of fair values is provided. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. Consequently, the Group has included additional disclosures in this regard (note 32).

Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

New, revised and amended standards and interpretations not yet effective:

Certain new, revised and amended standards and interpretations have been issued which are not yet effective for the current year and which the Group has not early adopted. Management considers that the following may be relevant to the Group's operations when they become effective:

- IFRS 9, Financial Instruments (2010), is effective for accounting periods beginning on or after January 1, 2017. The standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. It eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivables. For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, to present all fair value changes from the investment in other comprehensive income. The standard includes guidance on classification and measurement of financial liabilities designated as at fair value through profit or loss and incorporates certain existing requirements of IAS 39, Financial Instruments: Recognition and Measurement, on the recognition and de-recognition of financial assets and financial liabilities.

The Group is assessing the impact this may have on its 2018 financial statements.



Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

New, revised and amended standards and interpretations not yet effective: (cont'd)

(a) Basis of preparation (continued)

New, revised and amended standards and interpretations not yet effective (continued):

- Improvements to IFRS, 2010-2012 and 2011-2013 cycles, contain amendments to certain standards and interpretations and are effective for accounting periods beginning on or after July 1, 2014. The main amendments applicable to the Group are as follows:
 - IFRS 13, Fair Value Measurement, has been amended to clarify that issuing of the standard and consequential amendments to IAS 39 and IFRS 9 did not intend to prevent entities from measuring short-term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is immaterial.
 - IAS 16, Property, Plant and Equipment and IAS 38, Intangible Assets. The standards have been amended to clarify that, at the date of revaluation:
 - (i) the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation (amortization) is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking account of accumulated impairment losses, or
 - (ii) the accumulated depreciation (amortization) is eliminated against the gross carrying amount of the asset.
- IAS 24, Related Party Disclosures has been amended to extend the definition of 'related party' to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity. For related party transactions that arise when key management personnel services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the key management personnel services.

The Group is assessing the impact these may have on its 2016 financial statements.



Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

New, revised and amended standards and interpretations not yet effective (continued):

- Amendments to IAS 32, Offsetting of Financial Assets and Financial Liabilities which is effective for annual reporting periods beginning on or after January 1, 2014, clarifies those conditions needed to meet the criteria specified for offsetting financial assets and liabilities. It requires the entity to prove that there is a legally enforceable right to set off the recognised amounts. Conditions such as whether the set off is contingent on a future event and the nature and right of set-off and laws applicable to the relationships between the parties involved should be examined. Additionally, to meet the criteria, an entity should intend to either settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group is assessing the impact that this standard may have in its 2015 financial statements.

- Amendments to IAS 36, Recoverable Amount Disclosures for Non-Financial Assets, which are effective for accounting periods beginning on or after January 1, 2014, reverse the unintended requirement in IFRS 13, Fair Value Measurement, to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. The amendment requires the recoverable amount to be disclosed only when an impairment loss has been recognised or reversed.

The Group is assessing the impact that this amendment will have on its 2015 financial statements.

- IFRIC 21, Levies, which is effective for accounting periods beginning on or after January 1, 2014, provides guidance on accounting for levies in accordance with the requirements of IAS 37, Provisions, Contingent Liabilities and Contingent Assets. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It requires an entity to recognise a liability for a levy when and only when the triggering event specified in the legislation occurs.

The Group is assessing the impact that this interpretation will have on its 2015 financial statements.

(b) Basis of consolidation

The consolidated financial statements include the assets, liabilities and results of operations of the Company and its subsidiaries presented as a single economic entity.

(i) **Subsidiaries**

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to or has rights to variable returns from its involvement with the entity and has the ability to effect those returns through its power over the entity.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are no longer consolidated from the date that control ceases.



Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(b) Basis of consolidation (cont'd)

(ii) Eliminations on consolidation

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries are consistent with those of the Group.

(iii) Business combinations

The Group uses the acquisition method of accounting for business combinations when control is transferred to the Group. The cost of acquisition is measured as the fair value of the consideration paid (i.e., assets given, equity instruments issued and liabilities incurred or assumed) at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill; such goodwill is tested annually for impairment. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is immediately recognized directly in profit or loss.

(iv) Non-controlling interest

Non-controlling interest (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

(v) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest (NCI) and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value.

(vi) Associates

Associates are all entities over which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on the equity basis, from the date that significant influence commences until the date that influence ceases. When the Group's share of losses in an associate exceeds its interest in the associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

(c) Financial instruments

General

A financial instrument is any contract that gives rise to a financial asset of one enterprise and financial liability or equity instrument of another enterprise.

For the purposes of the financial statements, financial assets have been determined to include cash and cash equivalents, loans and notes receivable, other receivables, securities purchased under agreements to resell and investment securities. Financial liabilities comprises customer deposits, due to other banks, loan participation, securities sold under agreements to repurchase, redeemable preference shares and other payables.



Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(c) Financial instruments (cont'd)

Financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial assets to another party without retaining control or substantially all risks and rewards of ownership of the assets. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

(i) Cash and cash equivalents

Cash comprises cash in hand, demand and call deposits with banks and very short-term balances with other brokers/dealers. Cash equivalents are highly liquid financial assets that are readily convertible to known amounts of cash (that is, with original maturities of less than three months), which are subject to insignificant risk of changes in value, and are used for the purpose of meeting short-term commitments. Cash and cash equivalents are carried at cost.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(ii) Investments

Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Were the Group to sell other than an insignificant amount of held-to-maturity assets, the entire category would be re-classified as available-for-sale. Held-to-maturity investments are initially recognised at fair value, which is the cash consideration including any transaction costs.

Available-for-sale financial assets

The Group's investments in equity securities and certain debt securities are classified as available-for-sale and are carried at fair value except for unquoted equity securities whose fair value cannot be reliably measured, which are carried at cost. Changes therein, other than impairment losses [Note 2(i)], and foreign exchange gains and losses on available-for-sale monetary items [see note 2(f)], are recognised in other comprehensive income and reflected in investment revaluation reserve in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.



Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(c) Financial instruments (continued)

(ii) Investments (cont'd)

Investments at fair value through profit or loss

The Group carries some investment securities at fair value through profit or loss if they are held for trading or designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value and changes therein are recognised in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments, that are not quoted in an active market, and that the Group does not intend to sell immediately or in the near term.

Loans and receivables are measured at amortised cost using the effective interest method, except when the Group chooses to designate the loans and receivables at fair value through profit or loss.

(iii) Resale and repurchase agreements

Transactions involving purchases of securities under resale agreements ('resale agreements' or reverse repos) or sales of securities under repurchase agreements ('repurchase agreements' or 'repos) are accounted for as short-term collateralised lending and borrowing, respectively. Accordingly, securities sold under repurchase agreements remain on the statement of financial position and are measured in accordance with their original measurement principles. The proceeds of sale are reported as liabilities and are carried at amortised cost. Securities purchased under resale agreements are reported not as purchases of the securities, but as receivables and are carried in the statement of financial position at amortised cost. It is the policy of the Group to obtain possession of collateral with a market value in excess of the principal amount loaned under resale agreements.

Interest earned on resale agreements and interest incurred on repurchase agreements is recognised as interest income and interest expense, respectively, over the life of each agreement using the effective interest method.

(iv) Loans and notes receivable and other receivables

Loans and notes receivable and other receivables are stated at amortised cost less impairment provisions.

(v) Account payable

Accounts payable are stated at amortised cost.



Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(c) Financial instruments (continued)

(vi) Interest-bearing borrowings

Interest-bearing borrowings [other than repos, which are described in Note 2(c) (iii)] are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised costs, with any difference between cost and redemption being recognised in the profit or loss over the period of the borrowings on an effective yield basis.

(vii) Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a host contract). The Group accounts for an embedded derivative separately from the host contract when the host contract is not itself carried at fair value through profit or loss. Separated embedded derivatives are measured at fair value, with all changes in fair value recognised in profit or loss. Separated embedded derivatives are presented in the statement of financial position together with the host contract.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that future economic benefits embodied within the part flow to the Group and its cost can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in profit or loss.

Property, plant and equipment, with the exception of freehold land and paintings, on which no depreciation is provided, are depreciated on the straight-line basis at annual rates estimated to write down the assets to their residual values over their expected useful lives. The depreciation rates are as follows:

| | |
|---|--|
| Freehold buildings | 2½% - 5% |
| Leasehold improvements | The shorter of the estimated useful life and the period of the lease |
| Motor vehicles | 20% |
| Computer equipment | 20% - 25% |
| Other equipment, furniture and fittings | 10% - 20% |

The depreciation method, useful lives and residual values are reassessed at each reporting date.



Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(e) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs meeting the criteria of IAS 38, are not capitalised and the expenditure is charged against profits in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period for an intangible asset with a finite useful life is reviewed at a minimum at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

(i) Computer software

Computer software is carried at cost, less accumulated amortisation and impairment losses. Amortisation is charged on the straight-line basis over the useful lives of the assets at a rate of 25% per annum, from the date it is available for use.

(ii) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in profit or loss. Goodwill is measured at cost less accumulated impairment losses. It is tested annually for impairment.

(iii) Customer list

Acquired customer lists are measured initially at historical cost. Customer lists have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over the expected retention period with the Group, which approximates 8 to 15 years.

(iv) Licences

These assets represent the amounts for (1) JMMB Securities Limited Stock Exchange seat and broker/dealer licence, and (2) banking licence acquired with the acquisition of Intercommercial Bank Limited. Both licenses have an indefinite useful life; accordingly, they are not amortised but tested for impairment annually, or more frequently if there is any indication that they may be impaired.

(v) Other intangibles

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.



Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(f) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

The consolidated financial statements are presented in Jamaican dollars, which is the company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate.

Exchange differences resulting from the settlement of transactions at rates different from those at the dates of the transactions, and unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognised in profit or loss.

Exchange differences on non-monetary financial assets are a component of the change in their fair value. Depending on the classification of a non-monetary financial asset, exchange differences are either recognised in profit or loss (applicable for trading securities), or within other comprehensive income if non-monetary financial assets are classified as available-for-sale. In the case of changes in the fair value of monetary assets denominated in foreign currency classified as available-for-sale, a distinction is made between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount, except impairment, are recognised in other comprehensive income.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement;
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income and accumulated as a separate component of equity.



Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(g) Share capital

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument. Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the issuer's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity. Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividends are not discretionary. Dividends thereon are recognised as interest in profit or loss.

The Group's redeemable preference shares are redeemable on specific dates, and bear entitlements to distributions that are cumulative, and not at the discretion of the directors. Accordingly, they are presented as financial liability.

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

(h) Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in other comprehensive income.

(i) Current income tax

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to income tax payable in respect of previous years.

(ii) Deferred income tax

Deferred income tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.



Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(i) Impairment

The carrying amounts of the Group's assets, except for deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit or loss.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in other comprehensive income is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value less any impairment loss on that financial asset previously recognised in profit or loss account.

(i) Calculation of recoverable amount

The recoverable amount of the Group's receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

An impairment loss in respect of a receivable is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss, but through other comprehensive income. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in the profit or loss.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.



Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(j) Membership share

Membership share is stated at cost less impairment provisions.

(k) Revenue recognition

Revenue is income that arises in the course of the ordinary activities of the Group. Accordingly, revenue comprises interest income, fees and commissions, dividends, and income and gains from holding and trading securities and foreign currency.

(i) Interest income

Interest income is recorded on the accrual basis using the effective interest method. Interest income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity. When financial assets become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount, which is the original effective interest rate of the instrument calculated at the acquisition or origination date.

(ii) Fees and commissions

Fee and commission income are recognised on the accrual basis when the service has been provided and collection is reasonably certain. Fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionate basis. Asset management fees related to investment funds are recognised rateably over the period in which the service is provided. Performance linked fees or fee components are recognised when the performance criteria are fulfilled.

(iii) Gains from holding and trading securities and foreign currencies

Gain or loss on securities and foreign currency trading is recognised when the Group becomes a party to a contract to dispose of the assets, or, in the case of financial assets measured at fair value, upon re-measurement of those assets.

(iv) Dividends

Dividend income is recognized when the right to receive payment is established

(l) Employee benefits

Employee benefits are all forms of consideration given by the Group in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, NIS contributions, vacation leave; non-monetary benefits such as medical care; post-employment benefits such as pensions; and other long-term employee benefits such as termination benefits.



Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(l) Employee benefits (cont'd)

Employee benefits that are earned as a result of past or current service are recognised in the following manner: Short-term employee benefits are recognised as a liability, net of payments made, and charged as an expense. The expected cost of vacation leave that accumulates is recognised when the employee becomes entitled to the leave. Post-employment benefits are accounted for as described below. Other long-term benefits are not considered material and are charged off when incurred.

Pensions are the Group's only post-employment benefit. Pension fund costs included in Group profit or loss represent contributions to the defined-contribution fund which the Group operates to provide retirement pensions for the Group's employees (Note 33). Contributions to the fund, made on the basis provided for in the rules, are accrued and charged off when due.

(m) Operating leases

Payments made under operating leases are recognised in profit or loss on the straight line basis over the terms of the leases.

(n) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the Board of Directors.

(o) Interest expense

Interest expense is recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial liability.

(p) Borrowings

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between net proceeds and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(q) Investment properties

Investment properties are held for rental yields and fair value gains and are not occupied by the Group. Investment properties are treated as a long-term investment and are carried at fair value, representing open market value determined annually by the directors or by independent valuers. Changes in fair values are recognised in profit or loss. Rental income from investment properties is recognised in profit and loss on a straight line basis over the tenor of the lease.



Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(r) Comparative information

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year.

3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and are continually evaluated to confirm their continuing appropriateness.

Use of estimates and judgements

The preparation of the financial statements in conformity with International Financial Reporting Standards (IFRS) requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of, and disclosures related to, assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended. Actual amounts could differ from those estimates. The estimates and associated assumptions are based on historical experience and/or various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimate and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, the area of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effects on amounts recognised in the financial statements, or which have a risk of material adjustment in the next year, are as follows:



Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

Key sources of estimation uncertainty

(i) Allowance for losses

In determining amounts recorded for allowance for losses in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that there may be a measurable decrease in the estimated future cash flows from investments, notes receivable and other financial assets, for example, repayment default and adverse economic conditions. The specific counterparty of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based on management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes assumptions about a counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the work out strategy and estimate of cash flows considered recoverable are independently approved by the Credit and Market Risk functions.

(ii) Fair value of financial instruments

In the absence of quoted market prices, the fair value of a significant proportion of the Group's financial instruments was determined using a generally accepted alternative method. Considerable judgement is required in interpreting market data to arrive at estimates of fair values as set out in note 32. Consequently, the estimates arrived at may be significantly different from the actual price of the instrument in an arm's length transaction.

It is possible that outcomes within the next financial year that are different from these assumptions could require a material adjustment to the carrying amount reflected in the financial statements.

Critical accounting judgements in applying the Group's accounting policies

The Group's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

For the purpose of these financial statements, prepared in accordance with IFRS, judgement refers to the informed identification and analysis of reasonable alternatives, considering all relevant facts and circumstances, and the well-reasoned, objective and unbiased choice of the alternative that is most consistent with the agreed principles set out in IFRS.

Management is sometimes also required to make critical judgements in applying accounting policies. In classifying financial assets, management makes judgements about whether the criteria are met. For example, the determination of whether a security may be classified as 'loans and receivables' (note 16) or whether a security's fair value may be classified as 'Level 1' in the fair value hierarchy (note 32) requires judgement as to whether a market is active, or designating a security as held-to-maturity (note 16) requires judgement about the ability to hold the security to maturity.

Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

4. Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's activities are organised into three main business segments:

- i) Financial and related services which include securities brokering, stock brokering, portfolio planning, funds management and investment advisory services.
- ii) Banking and related services which include taking deposits, granting loans and other credit facilities and foreign currency trading.
- iii) "Other" represents remittance and related services, insurance brokering, investment and real estate holding.

| | The Group | | | | |
|--|--|--|-------------------------|--------------------------------|-------------------------|
| | Year ended 31 March 2014 | | | | |
| | Financial & Related Services \$'000 | Banking & Related Services \$'000 | Other \$'000 | Eliminations \$'000 | Group \$'000 |
| External revenues | 12,947,022 | 2,730,549 | 81,522 | - | 15,759,093 |
| Inter-segment revenue | 485,298 | 63,700 | 5,488 | (554,486) | - |
| Total segment revenue | 13,432,320 | 2,794,249 | 87,010 | (554,486) | 15,759,093 |
| Segment results | 2,624,528 | 443,290 | 3,763 | - | 3,071,581 |
| Impairment loss on financial asset | | | | | (10,898) |
| Gain on acquisition of subsidiaries | | | | | 361,657 |
| Share of results of associated companies | | | | | (24,289) |
| Profit before tax | | | | | 3,398,051 |
| Income tax expense | | | | | (335,992) |
| Profit for the year | | | | | 3,062,059 |
| Total segment assets | 176,427,565 | 56,767,815 | 891,254 | (27,380,515) | 206,706,119 |
| Total segment liabilities | 157,227,188 | 48,882,631 | 826,277 | (18,918,957) | 188,017,139 |
| Interest income | 10,140,635 | 2,137,275 | 1,840 | - | 12,279,750 |
| Interest expense | 6,108,163 | 909,102 | - | - | 7,017,265 |
| Operating expenses | 4,173,959 | 1,413,042 | 83,246 | - | 5,670,247 |
| Depreciation and amortisation | 237,063 | 77,081 | 3,718 | - | 317,862 |
| Capital expenditure | 322,055 | 62,598 | - | - | 384,653 |

Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

4. Segment Reporting (Continued)

| | The Group | | | | |
|---|--|--|-----------------|------------------------|-----------------|
| | Year ended 31 March 2013 | | | | |
| | Financial & Related Services \$'000 | Banking & Related Services \$'000 | Other \$'000 | Eliminations \$'000 | Group \$'000 |
| External revenues | 11,466,343 | 1,350,817 | 103,549 | - | 12,920,709 |
| Inter-segment revenue | 475,566 | 20,844 | - | (496,410) | - |
| Total segment revenue | 11,941,909 | 1,371,661 | 103,549 | (496,410) | 12,920,709 |
| Segment results | 1,660,798 | 32,732 | 6,697 | - | 1,700,227 |
| Impairment loss on financial asset | | | | | (73,798) |
| Impairment loss on intangible assets | | | | | (107,000) |
| Gain on acquisition of subsidiaries | | | | | 2,055,592 |
| Share of profit of associated companies | | | | | 72,354 |
| Profit before tax | | | | | 3,647,375 |
| Income tax expense | | | | | 209,488 |
| Profit for the year | | | | | 3,856,863 |
| Total segment assets | 168,123,610 | 21,074,966 | 808,001 | (23,145,616) | 166,860,961 |
| Total segment liabilities | 150,141,331 | 16,348,736 | 744,242 | (17,586,224) | 149,648,085 |
| Interest income | 10,254,955 | 984,219 | 12,379 | - | 11,251,553 |
| Interest expense | 6,010,322 | 593,535 | - | - | 6,603,857 |
| Operating expenses | 3,795,223 | 724,550 | 96,852 | - | 4,616,625 |
| Depreciation and amortisation | 148,441 | 26,757 | 2,835 | - | 178,033 |
| Capital expenditure | 277,501 | 38,871 | - | - | 316,372 |

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

5. Net Interest Income

Interest income

Cash and cash equivalents
Loans and notes receivable
Resale agreements
Investment securities
Total interest income

Interest expense

Repurchase agreements
Notes payable
Loans payable
Redeemable preference shares
Total interest expense

Net interest income

Total interest income on financial assets
not at fair value through profit or loss

| | The Group | | The Company | |
|---|------------------|------------------|------------------|------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Cash and cash equivalents | 15,978 | 18,027 | 16,861 | 13,353 |
| Loans and notes receivable | 1,590,326 | 682,393 | 349,840 | 345,785 |
| Resale agreements | 11,110 | 619,279 | 436,268 | 506,868 |
| Investment securities | 10,662,336 | 9,931,854 | 6,867,245 | 7,270,449 |
| Total interest income | 12,279,750 | 11,251,553 | 7,670,214 | 8,136,455 |
| Repurchase agreements | 6,258,983 | 6,107,848 | 4,399,621 | 4,654,419 |
| Notes payable | 451,610 | 222,550 | 31,025 | 6,647 |
| Loans payable | - | 32,246 | - | - |
| Redeemable preference shares | 306,672 | 241,213 | 306,672 | 241,213 |
| Total interest expense | 7,017,265 | 6,603,857 | 4,737,318 | 4,902,279 |
| Net interest income | 5,262,485 | 4,647,696 | 2,932,896 | 3,234,176 |
| Total interest income on financial assets not at fair value through profit or loss | 12,279,750 | 11,251,553 | 7,670,214 | 8,136,455 |

6. Staff Costs

Salaries and benefits, including profit related pay
Statutory payroll contributions
Pension scheme contributions (Note 33)
Training and development
Other staff benefits

| | The Group | | The Company | |
|---|-----------|-----------|-------------|-----------|
| | 2014 | 2013 | 2014 | 2013 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Salaries and benefits, including profit related pay | 2,284,451 | 1,815,338 | 1,338,092 | 1,327,159 |
| Statutory payroll contributions | 181,553 | 150,597 | 124,820 | 119,683 |
| Pension scheme contributions (Note 33) | 88,735 | 52,349 | 46,673 | 40,523 |
| Training and development | 31,873 | 32,408 | 27,734 | 30,937 |
| Other staff benefits | 291,105 | 205,485 | 134,514 | 136,994 |
| | 2,877,717 | 2,256,177 | 1,671,833 | 1,655,296 |



Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

7. Impairment Loss on Financial Assets

The impairment charge was for a provision on certain of the Group's investments in its equity and corporate bond portfolio.

8. Operating Expenses

The following are among the items charged/(credited) in arriving at profit before taxation:

| | The Group | | The Company | |
|--|------------------|------------------|------------------|------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Marketing, corporate affairs and donations | 251,510 | 315,840 | 184,826 | 278,689 |
| Bad debts, less recoveries | 13,372 | 34,967 | 13,372 | 34,967 |
| Depreciation and amortisation | 317,862 | 178,033 | 147,432 | 108,697 |
| Directors' fees | 61,357 | 35,691 | 29,741 | 31,481 |
| Irrecoverable - GCT | 148,360 | 164,781 | 111,931 | 137,504 |
| Insurance | 60,162 | 51,606 | 34,651 | 32,438 |
| Auditors' remuneration | 35,425 | 30,826 | 16,436 | 12,600 |
| Assets tax | 194,756 | 168,850 | 167,897 | 153,050 |
| Information technology | 269,697 | 178,176 | 189,402 | 134,629 |
| Legal and other professional fees | 371,029 | 298,565 | 183,634 | 200,709 |
| Repairs and maintenance | 81,955 | 69,777 | 76,894 | 65,482 |
| Loan loss, less recoveries | 192,037 | 269,063 | - | - |
| Security | 79,875 | 63,714 | 71,019 | 63,611 |
| Stationery, printing and postage | 104,753 | 82,602 | 87,902 | 80,438 |
| Utilities | 135,622 | 102,806 | 98,820 | 94,588 |
| Bank charges and interest | 171,021 | 121,726 | 117,088 | 87,721 |
| Other | 303,737 | 193,425 | 67,049 | 32,947 |
| | <u>2,792,530</u> | <u>2,360,448</u> | <u>1,598,094</u> | <u>1,549,551</u> |

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

9. Taxation

- (a) Income tax for the parent is computed at 33 1/3% of the profit for the year, as adjusted for tax purposes. Income and other taxes for the subsidiaries is based on statutory income tax rates prevailing in each relevant jurisdiction:

| | The Group | | The Company | |
|-------------------------------|-----------|-----------|-------------|----------|
| | 2014 | 2013 | 2014 | 2013 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| 1% tax on assets | 2,286 | - | - | - |
| Green fund levy | 1,876 | - | - | - |
| Current income tax | 101,497 | 69,501 | 40,958 | - |
| Deferred income tax (Note 23) | 230,333 | (278,989) | 158,280 | (96,855) |
| | 335,992 | (209,488) | 199,238 | (96,855) |

- (b) The tax on profit differs from the theoretical amount that would arise using the statutory rate of 33 1/3% as follows:

| | The Group | | The Company | |
|---|-----------|-------------|-------------|-----------|
| | 2014 | 2013 | 2014 | 2013 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Profit before taxation | 3,398,051 | 3,647,375 | 1,149,370 | 401,891 |
| Tax calculated at 33 1/3% | 1,132,684 | 1,215,792 | 383,123 | 133,964 |
| Adjusted for the effects of: | | | | |
| Income not subject to tax | (617,618) | (1,216,354) | (274,751) | (316,102) |
| Disallowed expenses | 157,601 | 139,569 | 90,893 | 85,283 |
| Effect of lower tax rate on associated company share of profits | - | (19,484) | - | - |
| Tax losses not recognized | 189,850 | 19,267 | - | - |
| Effect of taxation under different tax regime | (526,237) | (345,318) | - | - |
| Green fund levy | 1,876 | - | - | - |
| Adjustment to prior year estimate | (2,164) | (2,960) | (27) | - |
| | 335,992 | (209,488) | 199,238 | (96,855) |

- (c) At the reporting date, taxation losses, subject to agreement with the relevant Tax Authorities, available for set off against future taxable profits, amounted to approximately \$2,553,453,000 (2013: \$4,121,099,000) for the Group and \$885,455,000 (2013: \$1,072,487,000) for the company. The tax losses of the Jamaican subsidiaries may be carried forward indefinitely, but in any one year, prior year losses can be used to offset only 50% of chargeable income (before deduction of any prior year losses).



Notes to the Financial Statements

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10. Earnings per Stock Unit

Earnings per stock unit ("EPS") is computed by dividing the profit attributable to shareholders of the parent of \$2,832,855,000 (2013: \$3,739,058,000) by the weighted average number of ordinary stock units in issue during the year, numbering 1,630,552,530 (2013: 1,588,761,066).

11. Dividends

Final dividend in respect of 2012 @ 11.0 cents per stock unit
 Final dividend in respect of 2013 @ 10.0 cents per stock unit
 Interim dividend in respect of 2013 @ 13.0 cents per stock unit
 Interim dividend in respect of 2014 @ 16.0 cents per stock unit

| The Group and The Company | |
|----------------------------------|----------------|
| 2014 | 2013 |
| \$'000 | \$'000 |
| - | 160,973 |
| - | 163,055 |
| - | 211,972 |
| 260,888 | - |
| 260,888 | 536,000 |

12. Cash and Cash Equivalents

| | The Group | | The Company | |
|------------------|-------------------|------------------|--------------------|------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Cash | 13,711,524 | 5,426,635 | 6,898,222 | 3,409,234 |
| Cash equivalents | 9,614,896 | 404,795 | 565,301 | 365,216 |
| | 23,326,420 | 5,831,430 | 7,463,523 | 3,774,450 |

Cash equivalents of the Group and company include \$548,759,000 (2013: \$364,936,000) held by an investment broker as security for funding provided on certain investment securities, which is not available for immediate use. In addition, the Group has a restricted amount of \$7,595,574 (2013: \$7,533,009) deposited at an interest rate of 2.5% (2013: 2.5%) under an agreement with a building society which co-ordinates and administers a home ownership assistance programme for the Groups employees.



Notes to the Financial Statements

31 March 2014

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13. Loans and Notes Receivable

| | The Group | | The Company | |
|--------------------------------|----------------|----------------|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 |
| Corporate | 14,829,906 | 5,611,519 | 1,051,194 | 108,521 |
| Financial institutions | 2,415,140 | 3,563 | 209,636 | - |
| Individuals | 10,200,588 | 5,133,694 | 2,220,983 | 2,669,599 |
| | 27,445,634 | 10,748,776 | 3,481,813 | 2,778,120 |
| Less: provision for impairment | (894,459) | (521,650) | (13,799) | (17,745) |
| Provision for impairment | 26,551,175 | 10,227,126 | 3,468,014 | 2,760,375 |

| | The Group | | The Company | |
|----------------------|----------------|----------------|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 |
| Balance at 1 April | 521,650 | 119,993 | 17,745 | 36,551 |
| Provision acquired | 153,149 | 628,020 | - | - |
| Charge for year | 428,426 | 269,063 | - | - |
| Recoveries/write-off | (207,153) | (495,426) | (3,946) | (18,806) |
| Translation gains | (1,613) | - | - | - |
| Balance at 31 March | 894,459 | 521,650 | 13,799 | 17,745 |

Notes receivable include the balance on an interest-free revolving advance of \$324,036,605 (2013: \$344,036,605) to the trustees of the Group's Employee Share Ownership Plan (ESOP), the repayment date for which has not yet been fixed. The number of shares held by the ESOP at 31 March 2014 was 158,501,767 (2013: 164,726,375).

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

16. Investments Securities

| | The Group | | The Company | |
|---------------------------------------|----------------|----------------|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 |
| Loans and receivables: | | | | |
| Government of Jamaica securities | 25,969,157 | 20,642,824 | 20,030,547 | 16,382,458 |
| Sovereign | 195,887 | 174,144 | 195,887 | 174,144 |
| Corporate: | | | | |
| Government of Jamaica guaranteed | 6,115,895 | 10,610,080 | 2,997,918 | 6,485,450 |
| Other | 69,053 | 5,724 | 4,250 | - |
| | 32,349,992 | 31,432,772 | 23,228,602 | 23,042,052 |
| Available-for-sale securities: | | | | |
| Government of Jamaica securities | 65,231,606 | 70,441,723 | 60,596,560 | 61,327,559 |
| Certificates of deposit | 3,213,523 | 800,206 | 2,515,739 | 400,000 |
| US Treasury Bills | - | 442,382 | - | - |
| Corporate bonds | 14,024,803 | 16,410,000 | 9,583,062 | 8,451,049 |
| Sovereign bonds other than Jamaican | 18,376,802 | 17,432,947 | 84,458 | 100,588 |
| Quoted securities | 219,550 | 125,191 | 51,857 | 54,321 |
| Units in unit trusts | 80,253 | 32,588 | 50,882 | 17,682 |
| Money Market funds | 513,926 | 511,405 | 508,688 | 511,405 |
| Other | 834,899 | 17,442 | - | - |
| | 102,495,362 | 106,213,884 | 73,391,246 | 70,862,604 |
| Fair value through profit and loss: | | | | |
| Government of Jamaica securities | 593,812 | 632,604 | 593,812 | 632,604 |
| Credit default swap | 663,456 | - | - | - |
| Corporate bonds | 213,954 | 74,803 | 213,954 | 74,803 |
| Sovereign bonds other than Jamaican | 922,313 | 69,452 | 348,628 | 69,453 |
| Quoted securities | 182,903 | 33,482 | - | - |
| Unquoted equities | 12,956 | 12,956 | - | - |
| | 2,589,394 | 823,297 | 1,156,394 | 776,860 |
| Held to maturity: | | | | |
| Credit linked note | 8,207,138 | - | - | - |
| Sovereign bonds | 135,840 | - | - | - |
| | 8,342,978 | - | - | - |
| | 145,777,726 | 138,469,953 | 97,776,242 | 94,681,516 |
| Less: Provision for impairment losses | - | (57,009) | - | - |
| | 145,777,726 | 138,412,944 | 97,776,242 | 94,681,516 |

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31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

16. Investments Securities (Continued)

Movement on provision for impairment

| | The Group | | The Company | |
|------------------------------|----------------|----------------|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 |
| Balance at beginning of year | 57,009 | 32,442 | - | 32,442 |
| Written off/recovered | (57,009) | (32,442) | - | (32,442) |
| Charge for the year | - | 57,009 | - | - |
| Balance at end of year | - | 57,009 | - | - |

Investments mature, from the reporting date, as follows:

| | The Group | | The Company | |
|--------------------------------------|----------------|----------------|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 |
| Government of Jamaica securities: | | | | |
| Within 3 months | 51,142 | 2,500 | 1,148 | 2,500 |
| From 3 months to 1 year | 1,499,056 | 3,534,818 | 857,838 | 3,659,462 |
| From 1 year to 5 years | 31,675,803 | 26,397,799 | 25,589,827 | 24,369,048 |
| Over 5 years | 59,930,592 | 61,782,037 | 54,772,106 | 50,311,613 |
| | 93,156,593 | 91,717,154 | 81,220,919 | 78,342,623 |
| Certificates of deposit: | | | | |
| Within 3 months | 2,784,779 | 800,206 | 2,515,739 | 400,000 |
| From 3 months to 1 year | 433,983 | - | - | - |
| | 3,218,762 | 800,206 | 2,515,739 | 400,000 |
| US Treasury Bills: | | | | |
| Within 3 months | - | 442,382 | - | - |
| Sovereign bonds and corporate bonds: | | | | |
| Within 3 months | 699,686 | 71,386 | - | - |
| From 3 months to 1 year | 3,063,342 | 2,025,422 | 2,654,963 | 2,463 |
| From 1 year to 5 years | 15,957,157 | 8,438,113 | 1,556,313 | 1,655,957 |
| Over 5 years | 28,660,351 | 34,180,396 | 9,216,880 | 13,697,065 |
| | 48,380,536 | 44,715,317 | 13,428,156 | 15,355,485 |
| Other [see (c) below] | 1,021,835 | 737,885 | 611,428 | 583,408 |
| | 145,777,726 | 138,412,944 | 97,776,242 | 94,681,516 |



Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

16. Investments Securities (Continued)

- (a) Government of Jamaica securities and certain other bonds are pledged as security for repurchase agreements (Note 27) and notes payable (Note 28).
- (b) Government of Jamaica securities having an aggregate face value of \$165,000,000 (2013: \$165,000,000) have been pledged as collateral against possible overdrafts at the Central Bank and against uncleared effects at one of the company's bankers.
- (c) Other includes quoted equities, unit trusts and interest pooled money market fund for which there are no fixed maturity dates.

17. Membership Share

This was the cost to the Group of membership in, and a seat on the Council of, Jamaica Stock Exchange ("JSE") (by two subsidiaries - JMMB Securities Limited and Capital & Credit Securities Limited). This also licensed them to operate as broker/dealers, and represented the holding by each of 10,200,000 ordinary shares in JSE.

| | 2014 \$'000 | 2013 \$'000 |
|--|----------------|----------------|
| At beginning of year | | |
| Holding by JMMB Securities Limited | 20,520 | 20,520 |
| Holding by Capital & Credit Securities Limited | 30,000 | 30,000 |
| | <u>50,520</u> | <u>50,520</u> |
| During the year | | |
| License sold | (30,000) | - |
| License retained | 20,520 | 50,250 |
| Retained license reclassified to intangible assets (note 21) | (20,520) | - |
| At end of year | <u>-</u> | <u>50,250</u> |



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18. Interest in Subsidiaries

JMMB Securities Limited

Shares, at cost – equity
– preference

JMMB Insurance Brokers Limited

Shares, at cost - equity
Loan

Jamaica Money Market Brokers (Trinidad and Tobago) Limited

Shares, at cost – equity
Loan

JMMB International Limited

Shares, at cost – equity

JMMB Real Estate Holdings Limited

Shares, at cost – equity

JMMB Holdings Limited

Shares, at cost - equity
Loan

Balance carried forward to page 178

| The Company | |
|--------------------|------------------|
| 2014 | 2013 |
| \$'000 | \$'000 |
| 26,050 | 26,050 |
| 79,000 | 79,000 |
| 105,050 | 105,050 |
| 125,000 | 125,000 |
| 10,000 | 10,000 |
| 135,000 | 135,000 |
| 1,577,014 | - |
| 336,765 | 336,765 |
| 1,913,779 | 336,765 |
| 500,000 | 500,000 |
| 1 | 1 |
| 9 | 9 |
| 98,665 | 98,665 |
| 98,674 | 98,674 |
| 2,752,504 | 1,175,490 |



Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

18. Interest in Subsidiaries (Continued)

| | The Company | |
|---|--------------------|------------------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Balance brought forward from page 177 | 2,752,504 | 1,175,490 |
| Capital and Credit Financial Group Limited | | |
| Shares, at cost - equity | 4,644,589 | 4,644,589 |
| Capital and Credit Securities Limited | | |
| Shares, at cost - equity | 126,315 | 126,315 |
| JMMB Fund Managers Limited | | |
| Shares, at cost - equity | 254,555 | 254,555 |
| | 7,777,963 | 6,200,949 |

19. Investment Properties

| | The Group | |
|------------------------------|------------------|---------------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Balance at beginning of year | 457,591 | 457,591 |
| Asset acquired at fair value | - | 70,370 |
| Disposed during year | - | (70,370) |
| Balance at end of year | 457,591 | 457,591 |

The properties are stated at fair market value, as appraised by professional, independent valuers. The valuation model considers the present value of the net cash flows that can be generated from the property, condition of the buildings and its location (prime vs secondary), in addition to recent market transactions in the same proximity.

Investment properties generated revenue of \$2,378,000 (2013: \$5,289,867) and expenses of \$4,929,000 (2013: \$18,777,357) for the year.

The fair value of the Group's investment properties is categorised as Level 2 of the fair value hierarchy.



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20. Interest in Associated Company

| | The Group | | The Company | |
|--|----------------|----------------|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 |
| Shares, at cost | 331,042 | 331,042 | - | - |
| Share of post-acquisition profits | 315,844 | 340,133 | - | - |
| Share of investment revaluation reserve | (28,197) | (25,837) | - | - |
| Cumulative translation reserve | 236,841 | 162,968 | - | - |
| | 855,530 | 808,306 | - | - |
| Transfer to investment in subsidiaries (Notes 18 and 30) | (855,530) | - | - | - |
| | - | 808,306 | - | - |

The summarized financial information for the associates is as follows:

| | The Group | | The Company | |
|-------------|----------------|----------------|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 |
| Assets | - | 23,792,542 | - | - |
| Liabilities | - | 22,124,286 | - | - |
| Revenue | - | 1,187,960 | - | - |
| Profit | - | 144,734 | - | - |

On 3 October 2013, Jamaica Money Market Brokers (Trinidad and Tobago) Limited, a 100% owned subsidiary acquired the remaining 50% equity of Intercommercial Bank Limited (IBL), which thereby became a 100% subsidiary of the JMMB Group (Note 30).

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21. Intangible Assets

| | The Group | | | | | Total \$'000 |
|---|-------------------|-----------------|----------------------------|--------------------------------|--------------------|------------------|
| | License \$'000 | Other \$'000 | Customer List \$'000 | Computer Software \$'000 | Goodwill \$'000 | |
| Cost | | | | | | |
| 31 March 2012 | - | - | 10,456 | 408,935 | 16,744 | 436,135 |
| Acquired in business combination | - | 174,000 | 305,000 | 16,456 | - | 495,456 |
| Additions | - | - | - | 54,662 | - | 54,662 |
| Exchange rate adjustment | - | - | - | 984 | - | 984 |
| 31 March 2013 | - | 174,000 | 315,456 | 481,037 | 16,744 | 987,237 |
| Acquired in business combination (Note 30) | 177,452 | 128,612 | 210,012 | - | - | 516,076 |
| Reclassified from membership share (Note 17) | 20,520 | - | - | - | - | 20,520 |
| Additions | - | - | - | 73,064 | - | 73,064 |
| Exchange rate adjustment | 7,630 | 5,530 | 9,030 | - | 619 | 22,809 |
| 31 March 2014 | 205,602 | 308,142 | 534,498 | 554,101 | 17,363 | 1,619,706 |
| Accumulated Amortisation | | | | | | |
| 31 March 2012 | - | - | - | 350,045 | - | 350,045 |
| Impairment charge | - | 107,000 | - | - | - | 107,000 |
| Charge for the year | - | - | 26,557 | 31,113 | - | 57,670 |
| 31 March 2013 | - | 107,000 | 26,557 | 381,158 | - | 514,715 |
| Charge for the year | - | 31,956 | 43,006 | 22,722 | - | 97,684 |
| Exchange rate adjustment | - | 1,580 | 413 | - | - | 1,993 |
| 31 March 2014 | - | 140,536 | 69,976 | 403,880 | - | 614,392 |
| Net Book Value | | | | | | |
| 31 March 2014 | 205,602 | 167,606 | 464,522 | 150,221 | 17,363 | 1,005,314 |
| 31 March 2013 | - | 67,000 | 288,899 | 99,879 | 16,744 | 472,522 |
| 31 March 2012 | - | - | 10,456 | 58,890 | 16,744 | 86,090 |



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21. Intangible Assets (Continued)

| | Company Computer Software \$'000 |
|---------------------------------|---|
| Cost | |
| 31 March 2012 | 382,596 |
| Additions | 54,662 |
| 31 March 2013 | 437,258 |
| Additions | 71,678 |
| 31 March 2014 | 508,936 |
| Accumulated Amortisation | |
| 31 March 2012 | 323,597 |
| Charge for the year | 14,657 |
| 31 March 2013 | 338,254 |
| Charge for the year | 22,320 |
| 31 March 2014 | 360,574 |
| Net Book Value | |
| 31 March 2014 | 148,362 |
| 31 March 2013 | 99,004 |
| 31 March 2012 | 58,999 |

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22. Property, Plant and Equipment

| | The Group | | | | | Total \$'000 |
|--|---|------------------------------------|-----------------------------|---------------------------------|---|------------------|
| | Freehold Land and Buildings \$'000 | Leasehold Improvement \$'000 | Motor Vehicles \$'000 | Computer Equipment \$'000 | Equipment, Furniture and Fittings \$'000 | |
| Cost | | | | | | |
| 31 March 2012 | 860,163 | 112,735 | 38,903 | 405,773 | 330,357 | 1,747,931 |
| Acquisition of subsidiaries | 19,026 | 7,340 | 1,528 | 1,461 | 30,093 | 59,448 |
| Additions | 33,334 | 37,995 | 14,645 | 95,154 | 80,582 | 261,710 |
| Transfer | (9,621) | 2,178 | - | - | 7,443 | - |
| Disposals | - | - | (13,459) | (12,580) | (723) | (26,762) |
| 31 March 2013 | 902,902 | 160,248 | 41,617 | 489,808 | 447,752 | 2,042,327 |
| Acquisition of subsidiaries (Note 30) | 12,194 | 339,812 | - | - | 792,397 | 1,144,403 |
| Additions | 154,393 | 11,593 | 24,151 | 70,495 | 50,957 | 311,589 |
| Transfer | - | - | - | (2,836) | 2,836 | - |
| Disposals | - | (4,574) | (8,495) | (31) | (4,697) | (17,797) |
| Exchange rate adjustment | 524 | 18,173 | 916 | 1,300 | 35,696 | 56,609 |
| 31 March 2014 | 1,070,013 | 525,252 | 58,189 | 558,736 | 1,324,941 | 3,537,131 |
| Accumulated Depreciation | | | | | | |
| 31 March 2012 | 72,159 | 77,271 | 19,324 | 303,705 | 172,524 | 644,983 |
| Charge for the year | 14,185 | 12,436 | 7,350 | 47,104 | 39,288 | 120,363 |
| Disposals | - | - | (8,579) | (10,667) | - | (19,246) |
| Exchange rate adjustment | - | 17 | 4 | 48 | 22 | 91 |
| 31 March 2013 | 86,344 | 89,724 | 18,099 | 340,190 | 211,834 | 746,191 |
| Acquisition of subsidiaries (Note 30) | - | 189,418 | - | - | 515,294 | 704,712 |
| Charge for the year | 17,054 | 35,305 | 10,061 | 67,179 | 90,579 | 220,178 |
| Disposals | - | - | (8,495) | (31) | (194) | (8,720) |
| Transfer | - | - | - | (153) | 153 | - |
| Exchange rate adjustment | - | 8,598 | - | 234 | 24,441 | 33,273 |
| 31 March 2014 | 103,398 | 323,045 | 19,665 | 407,419 | 842,107 | 1,695,634 |
| Net Book Value | | | | | | |
| 31 March 2014 | 966,615 | 202,207 | 38,524 | 151,317 | 482,834 | 1,841,497 |
| 31 March 2013 | 816,558 | 70,524 | 23,518 | 149,618 | 235,918 | 1,296,136 |
| 31 March 2012 | 788,004 | 35,464 | 19,579 | 102,068 | 157,833 | 1,102,948 |

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22. Property, Plant and Equipment (Continued)

| | The Company | | | | | |
|---------------------------------|---|------------------------------------|-----------------------------|---------------------------------|---|-----------------|
| | Freehold Land and Buildings \$'000 | Leasehold Improvement \$'000 | Motor Vehicles \$'000 | Computer Equipment \$'000 | Equipment, Furniture and Fittings \$'000 | Total \$'000 |
| Cost | | | | | | |
| 31 March 2012 | 804,707 | 77,456 | 32,606 | 398,702 | 312,459 | 1,625,930 |
| Additions | 33,334 | 21,379 | 5,855 | 89,439 | 58,511 | 208,518 |
| Transfers | (9,621) | 2,178 | - | - | 7,443 | - |
| Disposals | - | - | - | (11,585) | - | (11,585) |
| 31 March 2013 | 828,420 | 101,013 | 38,461 | 476,556 | 378,413 | 1,822,863 |
| Additions | 72,595 | - | 23,984 | 68,203 | 24,495 | 189,277 |
| Disposals | - | - | (2,931) | - | (2,499) | (5,430) |
| 31 March 2014 | 901,015 | 101,013 | 59,514 | 544,759 | 400,409 | 2,006,710 |
| Accumulated Depreciation | | | | | | |
| 31 March 2012 | 70,773 | 72,315 | 18,276 | 288,443 | 164,314 | 614,121 |
| Charge for the year | 12,417 | 3,551 | 5,127 | 45,363 | 27,582 | 94,040 |
| Disposals | - | - | - | (10,280) | - | (10,280) |
| 31 March 2013 | 83,190 | 75,866 | 23,403 | 323,526 | 191,896 | 697,881 |
| Charge for the year | 14,088 | 7,269 | 7,681 | 64,743 | 31,330 | 125,111 |
| Disposals | - | - | (2,927) | - | - | (2,927) |
| 31 March 2013 | 97,278 | 83,135 | 28,157 | 388,269 | 223,226 | 820,065 |
| Net Book Value | | | | | | |
| 31 March 2014 | 803,737 | 17,878 | 31,357 | 156,526 | 177,183 | 1,186,645 |
| 31 March 2013 | 745,230 | 25,147 | 15,058 | 153,030 | 186,517 | 1,124,982 |
| 31 March 2012 | 733,934 | 5,141 | 14,330 | 110,259 | 148,145 | 1,011,809 |

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23. Deferred Income Taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same fiscal authority on either the taxable entity or a different taxable entity where there is an intention to settle the balances on the net basis.

Deferred income tax is calculated using a principal tax rate of 33 $\frac{1}{3}$ % as deferred tax is currently applicable only to the jurisdiction that applies this rate.

Deferred tax assets and liabilities recognised on the statement of financial position are as follows:

| | The Group | | The Company | |
|-------------------------------------|-----------|-----------|-------------|-----------|
| | 2014 | 2013 | 2014 | 2013 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Deferred income tax assets | 150,384 | 447,951 | - | - |
| Deferred income tax liabilities | (627,360) | (536,698) | (593,093) | (531,493) |
| Net deferred income tax liabilities | (476,976) | (88,747) | (593,093) | (531,493) |

The movement in the net deferred income tax balance is as follows:

| | The Group | | The Company | |
|---|-----------|-----------|-------------|-----------|
| | 2014 | 2013 | 2014 | 2013 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at beginning of year - liabilities | (88,747) | (749,776) | (531,493) | (752,393) |
| Deferred tax acquired on acquisition | (14,457) | 211,218 | - | - |
| (Charged)/credited to profit or loss (Note 9) | (230,333) | 278,989 | (158,280) | 96,855 |
| Charged to other comprehensive income | (142,660) | 170,822 | 96,680 | 124,045 |
| Exchange rate adjustment | (779) | - | - | - |
| Balance at end of year - liabilities | (476,976) | (88,747) | (593,093) | (531,493) |

Deferred income tax assets and deferred income liabilities are due to the following items:

| | The Group | | The Company | |
|-------------------------------|-----------|-----------|-------------|-----------|
| | 2014 | 2013 | 2014 | 2013 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Deferred income tax assets - | | | | |
| Investments | 822,452 | 778,677 | 723,146 | 464,712 |
| Other payables | 12,894 | 10,811 | 12,279 | 7,450 |
| Property, plant and equipment | 106 | 51 | - | - |
| Interest payable | 348,436 | 363,874 | 284,486 | 323,077 |
| Tax losses carried forward | 391,448 | 564,982 | 295,122 | 357,460 |
| | 1,575,336 | 1,718,395 | 1,315,033 | 1,152,699 |

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23. Deferred Income Taxes (Continued)

Deferred income tax liabilities -

| | The Group | | The Company | |
|-------------------------------------|----------------|----------------|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 |
| Investments | 41,075 | 35,677 | - | - |
| Unrealised foreign exchange gains | 1,412,989 | 1,275,021 | 1,409,078 | 1,270,025 |
| Property, plant and equipment | 15,051 | 29,805 | 7,552 | 22,439 |
| Interest receivable | 583,197 | 466,639 | 491,496 | 391,728 |
| | 2,052,312 | 1,807,142 | 1,908,126 | 1,684,192 |
| Net deferred income tax liabilities | (476,976) | (88,747) | (593,093) | (531,493) |

24. Share Capital

Authorised:

Ordinary stock units of no par value
Fixed rate cumulative redeemable preference shares of no par value

| | 2014 Number of Shares \$'000 | 2013 Number of Shares \$'000 |
|--|---------------------------------------|---------------------------------------|
| | 1,816,400 | 1,816,400 |
| | 4,000,000 | 4,000,000 |
| | 5,816,400 | 5,816,400 |

Issued ordinary share capital:

Ordinary stock units in issue at beginning of year
Ordinary stock units issued in consideration for 100% equity in CCFG
Ordinary stock units in issue at end of year

| | 2014 Number of Shares \$'000 | 2013 Number of Shares \$'000 |
|--|---------------------------------------|---------------------------------------|
| | 1,630,552 | 1,463,386 |
| | - | 167,166 |
| | 1,630,552 | 1,630,552 |



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24. Share Capital (Continued)

| | 2014 \$'000 | 2013 \$'000 |
|---|--------------------|--------------------|
| Stated capital: | | |
| 1,630,552,530 ordinary stock units | 1,850,279 | 1,850,279 |
| 889,073,000 8.75% cumulative redeemable preference stock units | 2,667,219 | 2,667,219 |
| 26,322,000 8.5% cumulative redeemable preference stock units | 92,127 | 92,127 |
| 715,482,000 7.50% cumulative redeemable preference stock units | 1,430,964 | - |
| 15,358,000 7.25% cumulative redeemable preference stock units | 38,395 | - |
| | <u>6,078,984</u> | <u>4,609,625</u> |
| Less redeemable preference stock units required by IFRS to be accounted for as liabilities in the financial statements | <u>(4,228,705)</u> | <u>(2,759,346)</u> |
| | <u>1,850,279</u> | <u>1,850,279</u> |

From 21 August 2013 to 30 August 2013, 715,482,000 7.50% fixed rate cumulative redeemable preference shares and 15,358,000 7.25% fixed rate cumulative redeemable preference shares were sold at a price of \$2.00 and \$2.50 per share, respectively, by public offering.

The significant terms and conditions of the preference stock units are as follows:

- (i) The right to a cumulative preferential dividend payable monthly at the rate agreed for each class;
- (ii) The right, on winding up, to receive all arrears of dividend and repayment of the capital in priority to the ordinary shareholders;
- (iii) No right to vote, except where dividends are not paid for twelve months or on winding up of the company.

The rights attaching to the ordinary stock units include the following:

- (i) Entitlement to dividends as declared from time to time (Note 11)
- (ii) Entitlement to one vote per share at meetings of the company.

25. Retained Earnings Reserve

(a) Retained Earnings Reserve

In accordance with a board resolution, the company transferred 7% of its total assets to non-distributable retained earnings reserve. This reserve constitutes a part of the company's capital base in determining the capital adequacy ratio.

(b) Investment Revaluation Reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the assets are derecognized or impaired

(c) Cumulative Translation Reserve

The cumulative translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

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26. Loan Participation

| | The Group | |
|-------------------------------------|------------------|---------------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Personal | - | 56,948 |
| Financial institutions | - | 8,934 |
| Commercial and business enterprises | - | 275,200 |
| | - | 341,082 |

27. Securities Sold Under Agreements to Repurchase

| | The Group | | The Company | |
|--|------------------|---------------|--------------------|---------------|
| | 2014 | 2013 | 2014 | 2013 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Denominated in Jamaica dollars | 42,725,093 | 47,778,362 | 42,822,963 | 47,144,268 |
| Denominated in United States dollars | 85,841,109 | 74,018,096 | 69,433,419 | 61,326,137 |
| Denominated in Pound Sterling | 3,425,236 | 2,455,361 | 3,425,236 | 2,455,361 |
| Denominated in Euro | 255,037 | 218,150 | 255,037 | 218,150 |
| Denominated in Dominican Republic Peso | 10,528,260 | 10,992,513 | - | - |
| Denominated in Canadian dollars | 527,690 | 444,829 | 527,690 | 444,829 |
| | 143,302,425 | 135,907,311 | 116,464,345 | 111,588,745 |

Repurchase agreements are collateralised by certain securities and other instruments held by the Group and the company with a carrying value of \$148,776,000 (2013: \$142,669,651,000) and \$117,590,300,000 (2013: \$113,470,677,000), respectively, (Notes 12, 15 and 16).

Repurchase agreements include balances with related parties as set out in Note 29. Certain of the securities described in Note 16 and interest accrued thereon are pledged as security for these repurchase agreements.

28. Notes Payable

| | The Group | | The Company | |
|--|------------------|---------------|--------------------|---------------|
| | 2014 | 2013 | 2014 | 2013 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| (i) Capital and Credit Merchant Bank Limited 7% promissory note | - | - | - | 305,406 |
| (ii) Capital and Credit Financial Group Limited 7% promissory note | - | - | 75,464 | 75,464 |
| | - | - | 75,464 | 380,870 |

(i) This promissory note, which is secured by real estate (note 22), bears interest at 7% per annum for the first three months and 8.5% thereafter. The note was repaid during the financial year.

(ii) This promissory note is unsecured, bears interest at 7% per annum and repayable 30 August 2014.



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29. Related Party Transactions and Balances

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions.

Related companies include ultimate parent company, parent company, fellow subsidiaries and associated company. Related parties include directors, key management and companies for which the Group provides management services.

(i) The statement of financial position includes balances, arising in the normal course of business, with related parties, as follows:

| | The Group | | The Company | |
|-----------------------------|------------------|---------------|--------------------|---------------|
| | 2014 | 2013 | 2014 | 2013 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Directors - | | | | |
| Notes receivable | 34,753 | 76,995 | 14,463 | 7,336 |
| Interest payable | (639) | (1,073) | (587) | (1,073) |
| Customer deposits | (68,304) | - | - | - |
| Repurchase agreements | (185,173) | (146,103) | (185,173) | (146,103) |
| Major shareholders - | | | | |
| Notes receivable | 324,037 | 436,480 | 324,037 | 436,480 |
| Interest payable | (29) | (160) | (29) | (160) |
| Repurchase agreements | (14,197) | (56,019) | (14,197) | (56,019) |
| Subsidiaries - | | | | |
| Resale agreements | - | - | 12,966,422 | 15,976,719 |
| Notes receivable | - | - | 209,636 | - |
| Interest receivable | - | - | 11,187 | 15,159 |
| Repurchase agreements | - | - | (350,520) | - |
| Notes payable | - | - | (75,464) | (380,870) |
| Interest payable | - | - | (1,615) | (7,337) |

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29. Related Party Transactions and Balances

- (ii) The income statement includes the following income earned from, and expenses incurred in, transactions with related parties, in the ordinary course of business:

| | The Group | | The Company | |
|----------------------------|----------------|----------------|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 |
| Directors - | | | | |
| Interest income | 4,732 | 2,371 | 646 | 1,412 |
| Interest expense | (6,002) | (6,021) | (4,836) | (6,021) |
| Major Shareholders | | | | |
| Interest income | 4,141 | 6,870 | 4,141 | 6,870 |
| Interest expense | (582) | (1,507) | (582) | (1,507) |
| Subsidiaries - | | | | |
| Interest income | - | - | 417,020 | 518,857 |
| Interest expense | - | - | (30,998) | (15,148) |
| Managed funds | | | | |
| Gain on sale of securities | 591,180 | 426,846 | 591,180 | 426,846 |

- (iii) Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly, including any director. Compensation for such persons was as follows:

| | The Group | | The Company | |
|---------------------------------|----------------|----------------|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 |
| Directors emoluments: | | | | |
| Fees | 61,357 | 35,691 | 29,741 | 31,481 |
| Management remuneration | 64,856 | 43,427 | 43,932 | 43,427 |
| Other key management personnel: | | | | |
| Short-term employee benefits | 217,601 | 202,432 | 130,768 | 132,428 |
| Post-employment benefits | 11,081 | 7,754 | 10,247 | 7,754 |
| | 354,895 | 289,304 | 214,688 | 215,090 |



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30. Business Combinations

Acquisition of Intercommercial Bank Limited

On 3 October 2013, the company acquired the remaining 50% of the share capital of Intercommercial Bank Limited (IBL) for US\$8,750,000; IBL thereby became a 100% subsidiary of the JMMB Group.

Valuations of acquired tangible and intangible assets are now finalised. Details of the purchase price allocation among net assets acquired and goodwill are as follows:

| | J\$'000 |
|---------------------------------------|------------------|
| Purchase consideration | 916,038 |
| Fair value of JMMB's 50% shareholding | 855,530 |
| Total consideration paid | 1,771,568 |
| Fair value of net assets acquired | <u>2,133,225</u> |
| Negative goodwill | <u>361,657</u> |

The assets and liabilities arising from the acquisition are as follows:

| | Fair Value J\$'000 |
|---|-------------------------------|
| Cash and cash equivalents | 9,813,551 |
| Investment securities | 1,468,993 |
| Loans and notes receivable, net of provisions | 13,194,167 |
| Deferred tax assets | 9,117 |
| Property, plant and equipment | 439,691 |
| Intangible assets | 516,076 |
| Income tax recoverable | 27,009 |
| Accounts receivable | 339,404 |
| Deferred tax liability | (23,573) |
| Deposits | (23,201,035) |
| Accounts payable | (450,175) |
| Net assets | <u>2,133,225</u> |
| Cash consideration | 916,038 |
| Cash and cash equivalents acquired | <u>(9,813,551)</u> |
| Net cash inflow on acquisition | <u>(8,897,513)</u> |



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30. Business Combinations (Continued)

In the six month period ended 31 March 2014, Intercommercial Bank Limited contributed revenue of J\$794,210,000 and net profit of J\$156,445,000 to the Group's results. If the acquisition had occurred on 1 April 2013, management estimates that revenue would have been J\$1,436,439,000, and net profit for the year would have been J\$106,459,000. In determining these amounts, management has assumed that the fair value adjustments, determined previously, that arose on the acquisition date would have been the same if the acquisition had occurred on the 1 April 2013.

31. Financial Risk Management

A financial instrument is any contract that gives rise to a financial asset of one enterprise and financial liability or equity instrument of another enterprise.

(a) Introduction and overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

Risk management framework

The risks are managed through an established risk management framework for the Group, which involves the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Directors is ultimately responsible for the establishment and oversight of the Group's risk management framework. The Board has established committees/departments for managing and monitoring risks, as follows:

(i) Risk Management Committee

The Risk Management Committee is a Board Committee responsible for the supervision of the overall risk management functions of the Group. The committee decides the policies and strategy for integrated risk management of the various risk exposures of the Group.

(ii) Board Credit Committee

The Board Credit Committee is responsible for approving all credit requests above a specified threshold and ensuring that all lending facilities conform to standards agreed by the Board and embodied in Credit Risk Policy. The committee is ultimately responsible for determining the composition and management of the credit portfolio and has available a number of measures it can employ in this respect including the making of specific and general provisions against actual or potential bad debts. The committee is supported in its work by the Management Credit Committee.



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31. Financial Risk Management (Continued)

(a) Introduction and overview (continued)

(iii) Audit Committee

The Audit Committee monitors the quality of the Group's internal controls and compliance with regulatory requirements. The Audit Committee is assisted in its oversight role by the Internal Audit Function and the Risk Management unit and Compliance Unit. Internal Audit undertakes both regular and ad hoc reviews of the risk management controls and procedures, the results of which are reported quarterly to the Audit Committee.

The management of certain specific aspects of operational risk, such as fraud, is also within the purview of the Audit Committee.

(iv) Investment Committee

The Investment Committee is a senior management level committee responsible for the management of market risks. The committee monitors the composition of assets and liabilities, evaluates potential market risk involved in launching new products, reviews and articulates funding policy and decides optimal ways of managing the Group's liquidity.

(b) Credit risk

The Group assumes credit risk, which is the risk that its customers or counterparties will cause a financial loss for the Group by failing to discharge their contractual obligations. Credit exposures arise principally in lending and investment activities. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty, or groups of related counterparties and to geographical and industry segments.

Credit review process

The Group has established a credit quality review process involving regular analysis of the ability of borrowers and other counterparties to meet interest and capital repayment obligations.

(i) Loans and notes receivable

The Group assesses the probability of default of individual counterparties using internal ratings. Clients of the Group are segmented into rating classes. The Group's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class.

Group's internal rating scale:

| Rating grades | Description of the grade |
|---------------|--------------------------|
| 1 | Excellent |
| 2 | Good credit |
| 3 | Average credit |
| 4 | Acceptable |
| 5 | Marginal |
| 6 | Substandard |
| 7 | Doubtful |



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31. Financial Risk Management (Continued)

(b) Credit risk (Continued)

Exposure to credit risk is managed in part by obtaining collateral and corporate and personal guarantees. Counterparty limits are established by the use of a credit classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process allows the Group to assess the potential loss as a result of the risk to which it is exposed and to take corrective action.

Loan and notes receivable that are cash secured are not included in a credit classification, based on the Group's rating grades.

(ii) Investments and resale agreements

The Group limits its exposure to credit risk by investing in liquid securities and with counterparties that have high credit quality. As a consequence, management's expectation of default is low.

The Group has documented investment policies which facilitate the management of credit risk on investment securities and resale agreements. The Group's exposure and the credit ratings of its counterparties are continually monitored.

(iii) Cash and cash equivalents

Cash and cash equivalents are held in financial institutions which management regards as strong and there is no significant concentration. The strength of these financial institutions is continually reviewed by the Credit and Risk Management Committees.

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of different types of collateral.

The main types of collateral obtained are as follows:

Notes receivable – Cash and other near cash securities, mortgages over commercial and residential properties, charges over general business assets such as premises, equipment, inventory, accounts receivable, marketable securities and motor vehicles.

Resale agreements – Government of Jamaica securities and Bank of Jamaica securities. The collateral obtained (including accrued interest) is at least 100% of the sum of the principal value of the resale agreement plus interest to be earned.

Management monitors the market value of collateral held and where necessary requests additional collateral in accordance with the underlying agreement.



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31. Financial Risk Management (Continued)

(b) Credit risk (Continued)

Exposure to credit risk

Impairment

The main considerations for the loans and notes receivable impairment assessment include arrears of principal, or interest overdue by more than 90 days, or whether there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or default on the original terms of the contract.

The Group addresses impairment assessment by reviewing all loans and notes receivable with risk ratings of 5 and above.

Individually assessed allowances are provided for financial assets based on a review conducted at least annually, or more regularly, when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at the reporting date on a case- by-case basis, and are applied to all accounts. The assessment normally encompasses collateral held and the anticipated receipts for that individual account.

The internal rating tool assists management to determine whether objective evidence of impairment exists, based on the following criteria set out by the Group:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral.

Maximum exposure to credit risk before collateral held or other credit enhancements

The maximum credit exposure, that is, the amount of loss that would be suffered if every counter-party to the Group's financial assets were to default at once, is represented as follows:

- (1) For financial assets recognised at the reporting date:
The carrying amounts of financial assets as shown on the statement of financial position.
- (2) For financial assets not recognised at the reporting date:

| | The Group | | The Company | |
|----------------------------------|-----------|-----------|-------------|--------|
| | 2014 | 2013 | 2014 | 2013 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Loan commitments | 2,405,817 | 1,255,374 | - | - |
| Guarantees and letters of credit | 349,438 | 44,276 | - | - |
| | 2,755,255 | 1,299,650 | - | - |



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31. Financial Risk Management (Continued)

(b) Credit risk (Continued)

Loans and notes receivable, other receivables and investment securities

(i) Financial assets – individually impaired

Financial assets that are individually impaired before taking into consideration the cash flows from collateral held are as follows:

| | The Group and Company | |
|----------------------------|------------------------------|---------------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Loans and notes receivable | 901,124 | 482,196 |

(ii) Full provision has been made for financial assets that are individually impaired.

The fair value of the collateral that the Group and company held as security for individually impaired loans and notes receivable was \$1,623,118,000 (2013: \$6,700,000,000).

There are no financial assets other than loans and notes receivable and other receivables that were individually impaired.

(iii) Financial assets that are past due but not impaired amount to \$1,626,756,000 (2013: \$1,118,503,000) for the Group and company.

(iv) Repossessed properties are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. In general, the Group does not occupy repossessed properties for business or other use.

The carrying value of the loans on which the collateral was repossessed during the year is \$4,160,000 (2013: \$155,800,000).

(v) Renegotiated loans and leases

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continual review.

There are no loans, that would otherwise be past due or impaired, whose terms have been negotiated.



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31. Financial Risk Management (Continued)

(b) Credit risk (Continued)

(vi) The Group monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk at the reporting date is shown below:

| | The Group | | | | |
|---------------------------|--|---|------------------------------|--------------------|--------------------|
| | 2014 | | | | |
| | Cash and cash equivalents | Loans and notes receivable | Resale agreements | Investments | Total |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Carrying amounts | 23,326,420 | 26,551,175 | 652,986 | 145,777,726 | 196,308,307 |
| Concentration by sector | | | | | |
| Government of Jamaica | - | - | - | 112,560,915 | 112,560,915 |
| Sovereign bonds | - | - | 285,968 | 19,813,116 | 20,099,084 |
| Bank of Jamaica | - | - | 367,018 | 2,905,791 | 3,272,809 |
| Corporate bonds | - | 13,655,273 | - | 8,663,196 | 22,318,469 |
| Financial institutions | 23,326,420 | 2,768,154 | - | 1,834,708 | 27,929,282 |
| Retail | - | 10,127,748 | - | - | 10,127,748 |
| | <u>23,326,420</u> | <u>26,551,175</u> | <u>652,986</u> | <u>145,777,726</u> | <u>196,308,307</u> |
| Concentration by location | | | | | |
| Jamaica | 9,025,243 | 12,768,047 | 524,227 | 139,606,176 | 161,923,693 |
| North America | 525,224 | 13,114 | - | - | 538,338 |
| Trinidad | 12,970,887 | 13,770,014 | 128,759 | 2,651,744 | 29,521,404 |
| Other | 805,066 | - | - | 3,519,806 | 4,324,872 |
| | <u>23,326,420</u> | <u>26,551,175</u> | <u>652,986</u> | <u>145,777,726</u> | <u>196,308,307</u> |

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31. Financial Risk Management (Continued)

(b) Credit risk (Continued)

| | The Group | | | | |
|---------------------------|---|--|---|-------------------------------|-------------------------|
| | 2013 | | | | |
| | Cash and cash equivalents \$'000 | Loans and notes receivable \$'000 | Resale agreements \$'000 | Investments \$'000 | Total \$'000 |
| Carrying amounts | 5,831,430 | 10,227,126 | 3,890,913 | 138,412,944 | 158,362,413 |
| Concentration by sector | | | | | |
| Government of Jamaica | - | - | - | 91,717,104 | 91,717,104 |
| Sovereign bonds | - | - | 87,560 | 18,061,880 | 18,149,440 |
| Bank of Jamaica | - | - | 257,181 | 365 | 257,546 |
| Corporate bonds | - | 5,052,315 | - | 27,049,915 | 32,102,230 |
| Financial institutions | 5,831,430 | 58,570 | 3,546,172 | 946,428 | 10,382,600 |
| Retail | - | 5,116,241 | - | 637,252 | 5,753,493 |
| | 5,831,430 | 10,227,126 | 3,890,913 | 138,412,944 | 158,362,413 |
| Concentration by location | | | | | |
| Jamaica | 3,726,271 | 10,227,126 | 2,906,813 | 115,985,492 | 132,845,702 |
| North America | 1,532,475 | - | - | 1,968,200 | 3,500,675 |
| Trinidad | 156,902 | - | - | 71,868 | 228,770 |
| Dominican Republic | 415,782 | - | - | 17,465,210 | 17,880,992 |
| Other | - | - | 984,100 | 2,922,174 | 3,906,274 |
| | 5,831,430 | 10,227,126 | 3,890,913 | 138,412,944 | 158,362,413 |

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31. Financial Risk Management (Continued)

(b) Credit risk (Continued)

| | The Company | | | | |
|---------------------------|---------------------------------|----------------------------------|----------------------|-------------|-------------|
| | 2014 | | | | |
| | Cash and cash equivalents | Loans and notes receivable | Resale agreements | Investments | Total |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Carrying amounts | 7,463,523 | 3,468,014 | 13,522,982 | 97,776,242 | 122,230,761 |
| Concentration by sector | | | | | |
| Government of Jamaica | - | - | - | 88,636,669 | 88,636,669 |
| Sovereign bonds | - | - | - | 628,973 | 628,973 |
| Bank of Jamaica | - | - | - | 2,515,739 | 2,515,739 |
| Corporate | - | 1,051,194 | - | 5,435,291 | 6,486,485 |
| Financial institutions | 7,463,523 | 209,636 | 13,522,982 | 559,570 | 21,755,711 |
| Retail | - | 2,207,184 | - | - | 2,207,184 |
| | 7,463,523 | 3,468,014 | 13,522,982 | 97,776,242 | 122,230,761 |
| Concentration by location | | | | | |
| Jamaica | 6,857,333 | 3,468,014 | 13,522,982 | 94,128,480 | 117,976,809 |
| North America | 520,303 | - | - | - | 520,303 |
| Trinidad | 85,887 | - | - | 127,956 | 213,843 |
| Other | - | - | - | 3,519,806 | 3,519,806 |
| | 7,463,523 | 3,468,014 | 13,522,982 | 97,776,242 | 122,230,761 |

Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

31. Financial Risk Management (Continued)

(b) Credit risk (Continued)

| | The Company | | | | |
|---------------------------|---------------------------------|----------------------------------|----------------------|-------------|-------------|
| | 2013 | | | | |
| | Cash and cash equivalents | Loans and notes receivable | Resale agreements | Investments | Total |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Carrying amounts | 3,774,450 | 2,760,375 | 17,197,640 | 94,681,516 | 118,413,981 |
| Concentration by sector | | | | | |
| Government of Jamaica | - | - | - | 78,342,622 | 78,342,622 |
| Sovereign bonds | - | - | - | 344,184 | 344,184 |
| Bank of Jamaica | - | - | - | 400,000 | 400,000 |
| Corporate | - | 108,521 | - | 15,011,302 | 15,119,823 |
| Financial institutions | 3,774,450 | - | 17,197,640 | 583,408 | 21,555,498 |
| Retail | - | 2,651,854 | - | - | 2,651,854 |
| | 3,774,450 | 2,760,375 | 17,197,640 | 94,681,516 | 118,413,981 |
| Concentration by location | | | | | |
| Jamaica | 2,132,151 | 2,760,375 | 17,197,640 | 94,580,096 | 116,670,262 |
| North America | 1,512,334 | - | - | - | 1,512,334 |
| Trinidad | 129,965 | - | - | 16,701 | 146,666 |
| Other | - | - | - | 84,719 | 84,719 |
| | 3,774,450 | 2,760,375 | 17,197,640 | 94,681,516 | 118,413,981 |

Collateral and other credit enhancements held against financial assets

The Group holds collateral against loans and advances to customers and others in the form of mortgage interests over property, other registered securities over other assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over balances with banks or broker/dealers, except when securities are held under resale agreements. Collateral is generally not held against investment securities, and no such collateral was held at the reporting date (2013: no collateral held).

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(expressed in Jamaican dollars unless otherwise indicated)

31. Financial Risk Management (Continued)

(b) Credit risk (Continued)

An estimate, made at the time of borrowing, of the fair value of collateral and other security enhancements held against loans to borrowers and others is shown below:

| | The Group | | | | The Company | | | |
|---|----------------------------|-------------------|-------------------|------------------|----------------------------|------------------|-------------------|-------------------|
| | Loans and notes receivable | | Resale agreements | | Loans and notes receivable | | Resale agreements | |
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Against neither past due nor impaired financial assets: | | | | | | | | |
| Cash secured | 3,367,567 | 2,337,161 | - | - | 2,710,538 | 2,061,955 | - | - |
| Property | 13,901,303 | 3,016,305 | - | - | - | 14,871 | - | - |
| Debt securities | 1,639,008 | 1,175,615 | 3,497,987 | 3,833,851 | 789,517 | 460,054 | 13,756,305 | 17,403,868 |
| Liens on motor vehicles | 1,660,939 | 788,145 | - | - | 29,407 | 42,072 | - | - |
| Equities | 169,392 | - | - | - | - | - | - | - |
| Other | 6,714,775 | - | - | - | - | - | - | - |
| Subtotal | 27,452,984 | 7,317,226 | 3,497,987 | 3,833,851 | 3,529,462 | 2,578,952 | 13,756,305 | 17,403,868 |
| Against past due but not impaired financial assets: | | | | | | | | |
| Cash secured | 21,496 | 79,907 | - | - | - | - | - | - |
| Property | 1,605,033 | 1,103,708 | - | - | 19,663 | 46,866 | - | - |
| Liens on motor vehicles | 252,953 | 279,027 | - | - | 19,527 | 25,578 | - | - |
| Other | 362,099 | - | - | - | - | - | - | - |
| Subtotal | 2,241,581 | 1,462,642 | - | - | 39,190 | 72,444 | - | - |
| Against past due and impaired financial assets: | | | | | | | | |
| Debt securities | - | 2,665 | - | - | - | - | - | - |
| Property | 1,306,609 | 4,035,389 | - | - | 95,986 | 74,434 | - | - |
| Liens on motor vehicles | 34,066 | 52,856 | - | - | 6,100 | 13,940 | - | - |
| Other | 384,529 | - | - | - | - | - | - | - |
| Subtotal | 1,725,204 | 4,090,910 | - | - | 102,086 | 88,374 | - | - |
| Total | 31,419,769 | 12,870,778 | 3,497,987 | 3,833,851 | 3,670,738 | 2,739,770 | 13,756,305 | 17,403,868 |



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31. Financial Risk Management (Continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

The Group is exposed to daily calls on its available cash resources from overnight placement of funds, maturing placement of funds and loan draw-downs. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of investment of maturing funds can be predicted with a high level of certainty.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the Group's reputation.

Liquidity risk management process

The Group's liquidity management process, as carried out within the Group, includes:

- (i) Monitoring future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure funding if required;
- (ii) Maintaining a portfolio of highly marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- (iii) Optimising cash returns on investments;
- (iv) Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month, respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

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31. Financial Risk Management (Continued)

(c) Liquidity risk (continued)

The tables below present the residual contractual maturities of undiscounted cash flows (both interest and principal cash flows) of the Group's and the company's financial liabilities.

| | The Group | | | | |
|--|------------------------------|-----------------------------|------------------------|------------------------------------|------------------------------|
| | 2014 | | | | |
| | Within 3 Months \$'000 | 3 to 12 Months \$'000 | 1-5 Years \$'000 | Contractual Cash Flow \$'000 | Carrying Amount \$'000 |
| Financial Liabilities | | | | | |
| Customer deposits | 7,802,039 | 17,178,729 | 11,376,997 | 36,357,765 | 35,887,750 |
| Due to other banks | - | 2,872 | 372,633 | 375,505 | 283,386 |
| Securities sold under agreements to repurchase | 111,000,491 | 29,957,077 | 5,176,935 | 146,134,503 | 143,302,425 |
| Redeemable preference shares | - | - | 4,256,259 | 4,256,259 | 4,228,705 |
| Payables | 2,068,640 | - | - | 2,068,640 | 2,068,641 |
| | 120,871,170 | 47,138,678 | 21,182,824 | 189,192,672 | 185,770,907 |
| | | | | | |
| | 2013 | | | | |
| | Within 3 Months \$'000 | 3 to 12 Months \$'000 | 1-5 Years \$'000 | Contractual Cash Flow \$'000 | Carrying Amount \$'000 |
| Financial Liabilities | | | | | |
| Customer deposits | 6,143,420 | 1,524,965 | 13,895 | 7,682,280 | 7,567,380 |
| Due to other banks | - | 177,869 | 337,649 | 515,518 | 378,560 |
| Loan participation | 319,558 | 22,728 | - | 342,286 | 341,082 |
| Securities sold under agreements to repurchase | 105,412,599 | 31,166,074 | 6,739 | 136,585,412 | 135,907,311 |
| Redeemable preference shares | - | - | 2,780,493 | 2,780,493 | 2,759,346 |
| Payables | 908,488 | - | - | 908,488 | 908,488 |
| | 112,784,065 | 32,891,636 | 3,138,776 | 148,814,477 | 147,862,167 |

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31 March 2014

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31. Financial Risk Management (Continued)

(c) Liquidity risk (Continued)

| | The Company | | | | |
|--|------------------------------|-----------------------------|------------------------|------------------------------------|------------------------------|
| | 2014 | | | | |
| | Within 3 Months \$'000 | 3 to 12 Months \$'000 | 1-5 Years \$'000 | Contractual Cash Flow \$'000 | Carrying Amount \$'000 |
| Financial Liabilities | | | | | |
| Securities sold under agreements to repurchase | 90,241,628 | 27,728,772 | 437,062 | 118,407,462 | 116,464,345 |
| Notes payable | - | 77,063 | - | 77,063 | 75,464 |
| Redeemable preference shares | - | - | 4,256,259 | 4,256,259 | 4,228,705 |
| Other payables | 369,121 | - | - | 369,121 | 369,121 |
| | 90,610,749 | 27,805,835 | 4,693,321 | 123,109,905 | 121,137,635 |
| | | | | | |
| | 2013 | | | | |
| | Within 3 Months \$'000 | 3 to 12 Months \$'000 | 1-5 Years \$'000 | Contractual Cash Flow \$'000 | Carrying Amount \$'000 |
| Financial Liabilities | | | | | |
| Securities sold under agreements to repurchase | 90,059,395 | 23,313,104 | 6,739 | 113,379,238 | 111,588,745 |
| Notes payable | - | 387,590 | - | 387,590 | 380,870 |
| Redeemable preference shares | - | - | 2,780,493 | 2,780,493 | 2,759,346 |
| Other payables | 349,103 | - | - | 349,103 | 349,103 |
| | 90,408,498 | 23,700,694 | 2,787,232 | 116,896,424 | 115,078,064 |

(d) Market risk

The Group assumes market risks, which are the changes in market prices, such as interest rates, equity prices, foreign exchange rates and commodity prices, that will affect the Group's income or value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing return on risk.

The overall responsibility for market risk management is vested in the Board Risk Management Committee. The Risk Department is responsible for the development of detailed risk management policies (subject to review and approval by the Board Risk Management Committee) and for the day- to-day review of their implementation.

The principal tool used to measure and control market risk exposures within the Group is Value at Risk (VaR). The VaR of a portfolio is the estimated loss that will arise on the portfolio over a specified period of time (the holding period) from an adverse market movement with a specified probability (confidence level). The VaR model used by the Group is based on a 99% confidence level and assumes a 10 day holding period. The VaR model used is based mainly on the Monte Carlo simulation model. Taking account of market data from the previous year and observed relationships between differences in market prices, the model generates a wide range of plausible future scenarios for market price movements.



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31. Financial Risk Management (Continued)

(d) Market risk (Continued)

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:

- A 10 day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a reasonable assumption, but may not be the case in situations in which there is severe market illiquidity for a prolonged period;
- A 99% confidence level does not reflect losses that may occur beyond this level. Even within the model used, there is a 1% probability that losses could exceed the VaR;
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day;
- The use of historical data to determine the relationships between different market prices may not cover all possible scenarios, as these relationships may break down in times of market stress;
- The VaR Measure is dependent on the Group's positions and volatility of market prices. The VaR of an unchanged position reduces if the market prices volatility declines and vice-versa.

The Group uses VaR limits for its overall portfolio and for sub-portfolios. The overall structure of VaR limits is subject to review and approval by the Board Risk Management Committee. VaR is measured at least once daily. Daily reports of utilization of VaR limits are prepared by the Risk department and regular summaries submitted to the Board Risk Management Committee.

A summary of the VaR position of the Group's overall portfolio as at 31 March 2014 and during the year then ended is as follows:

| | 31 March | Average for | Maximum | Minimum |
|------------------|-----------|-------------|-------------|-------------|
| | \$'000 | Year | during Year | during Year |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| 2014 Overall VaR | 4,279,539 | 3,090,307 | 12,733,451 | 843,813 |
| 2013 Overall VaR | 2,752,892 | 2,065,828 | 8,220,671 | 672,063 |

The limitations of the VaR methodology are recognised by supplementing VaR limits with other position and sensitivity limit structures, including limits to address potential concentration of risks within the portfolio.

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31. Financial Risk Management (Continued)

(d) Market risk (Continued)

(i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign currency risk on transactions that it undertakes in foreign currencies that give rise to the net currency gains and losses recognised during the year. Such exposures comprise the assets and liabilities of the Group that are not denominated in its functional currency. The Group ensures that the risk is kept to an acceptable level by monitoring its value at risk exposure.

At the reporting date, the Jamaica dollar equivalents of net foreign currency assets/(liabilities) were as follows:

| | The Group | | The Company | | Exchange rates | |
|-----------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 |
| United States dollars | (1,359,023) | 3,086,192 | 113,273 | 812,232 | 109.28 | 98.41 |
| Great Britain pounds | (114,647) | 180,611 | (69,502) | 91,529 | 180.58 | 149.97 |
| Euros | 63,292 | 55,053 | 16,148 | 39,862 | 150.31 | 125.55 |
| Trinidad and Tobago | 133,764 | 62,295 | 133,764 | 69,295 | 16.98 | 15.32 |
| Canadian dollars | - | 64,624 | - | 79,017 | 98.06 | 97.25 |
| Peso | - | - | 330,894 | 660,931 | 2.54 | 2.34 |

Foreign currency sensitivity

The following tables indicate the currencies to which the Group and company had significant exposure on their monetary assets and liabilities and their forecast cash flows. The change in currency rates below represents management's assessment of a reasonable possible change in foreign exchange rates at the reporting date:

| Currency: | The Group | | | |
|-----------|----------------------------|---------------------|----------------------------|---------------------|
| | Change in Currency Rate | Effect on Profit | Change in Currency Rate | Effect on Profit |
| | 2014 % | 2014 \$'000 | 2013 % | 2013 \$'000 |
| USD | 5 | (67,951) | 5 | 154,310 |
| GBP | 5 | (5,732) | 5 | 9,031 |
| EUR | 5 | 3,165 | 5 | 2,753 |
| PESO | 5 | - | 5 | - |
| CAD | 5 | - | 5 | 3,231 |
| TT\$ | 5 | 6,688 | 5 | 3,115 |
| | | 63,830 | | 172,440 |



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(expressed in Jamaican dollars unless otherwise indicated)

31. Financial Risk Management (Continued)

(d) Market risk (continued)

(i) Currency risk (continued)

Foreign currency sensitivity (continued)

| | The Company | | | |
|------------------|----------------------------|---------------------|----------------------------|---------------------|
| | Change in Currency Rate | Effect on Profit | Change in Currency Rate | Effect on Profit |
| | 2014 | 2014 | 2013 | 2013 |
| | % | \$'000 | % | \$'000 |
| Currency: | | | | |
| USD | 5 | 5,664 | 5 | 40,612 |
| GBP | 5 | (3,475) | 5 | 4,576 |
| EUR | 5 | 807 | 5 | 1,993 |
| PESO | 5 | 16,545 | 5 | 33,047 |
| CAD | 5 | - | 5 | 3,951 |
| TT\$ | 5 | 6,688 | 5 | 3,115 |
| | | 26,229 | | 87,294 |

(ii) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

The following tables summarise the Group's and the company's exposure to interest rate risk to earnings. It includes the Group's and company's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

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31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

31. Financial Risk Management (Continued)

(d) Market risk (Continued)

(ii) Interest rate risk (Continued)

| | The Group | | | | | Total \$'000 |
|---|------------------------------|----------------------------|-----------------------------|---------------------------|-----------------------------------|-------------------|
| | Within 3 Months \$'000 | 3 to 6 Months \$'000 | 6 to 12 Months \$'000 | 1 to 5 Years \$'000 | Non interest Bearing \$'000 | |
| | 2014 | | | | | |
| Assets | | | | | | |
| Cash and cash equivalents | 23,326,420 | - | - | - | - | 23,326,420 |
| Loans and notes receivable | 6,289,435 | 12,422,157 | 743,242 | 7,096,341 | - | 26,551,175 |
| Securities purchased under agreements to resell | 652,986 | - | - | - | - | 652,986 |
| Investment securities | 2,242,522 | 3,709,793 | 5,609,342 | 134,216,069 | - | 145,777,726 |
| Total interest bearing assets | 32,511,363 | 16,131,950 | 6,352,584 | 141,312,410 | - | 196,308,307 |
| Liabilities | | | | | | |
| Securities sold under agreements to repurchase | 110,100,160 | 17,843,905 | 11,073,842 | 4,284,518 | - | 143,302,425 |
| Redeemable preference shares | 4,228,705 | - | - | - | - | 4,228,705 |
| Due to other financial institutions | - | 2,768 | - | 280,618 | - | 283,386 |
| Deposits | 31,540,915 | 2,080,209 | - | 2,266,626 | - | 35,887,750 |
| Other | - | - | - | - | 2,068,641 | 2,068,641 |
| Total interest bearing liabilities | 145,869,780 | 19,926,882 | 11,073,842 | 6,831,762 | 2,068,641 | 185,770,907 |
| Total interest sensitivity gap | (113,358,417) | (3,794,932) | (4,721,258) | 134,480,648 | (2,068,641) | 10,537,400 |
| Cumulative interest sensitivity gap | (113,358,417) | (117,153,349) | (121,874,607) | 12,606,041 | 10,537,400 | - |

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31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

31. Financial Risk Management (Continued)

(d) Market risk (Continued)

(ii) Interest rate risk (Continued)

| | The Group | | | | | Total \$'000 |
|---|------------------------------|----------------------------|-----------------------------|---------------------------|-----------------------------------|-------------------|
| | Within 3 Months \$'000 | 3 to 6 Months \$'000 | 6 to 12 Months \$'000 | 1 to 5 Years \$'000 | Non interest Bearing \$'000 | |
| | 2013 | | | | | |
| Assets | | | | | | |
| Cash and cash equivalents | 5,831,430 | - | - | - | - | 5,831,430 |
| Loans and notes receivable | 2,966,257 | 717,896 | 1,456,903 | 3,077,588 | 2,008,482 | 10,227,126 |
| Securities purchased under agreements to resell | 3,890,913 | - | - | - | - | 3,890,913 |
| Investment securities | 57,479,340 | 247,072 | 6,499,364 | 73,806,157 | 381,011 | 138,412,944 |
| Total interest bearing assets | 70,167,940 | 964,968 | 7,956,267 | 76,883,745 | 2,389,493 | 158,362,413 |
| Liabilities | | | | | | |
| Notes payable | 318,931 | 22,131 | - | - | - | 341,082 |
| Securities sold under agreements to repurchase | 109,924,158 | 16,318,589 | 9,658,266 | 6,298 | - | 135,907,311 |
| Redeemable preference shares | - | - | - | 2,759,346 | - | 2,759,346 |
| Due to other financial institutions | - | - | - | 378,560 | - | 378,560 |
| Deposits | 6,093,430 | 1,461,343 | - | 12,607 | - | 7,567,380 |
| Other | - | - | - | - | 908,488 | 908,488 |
| Total interest bearing liabilities | 116,336,519 | 17,802,063 | 9,658,266 | 3,156,811 | 908,488 | 147,862,167 |
| Total interest sensitivity gap | (46,168,579) | (16,837,115) | (1,701,999) | 73,726,934 | 1,481,005 | 10,500,246 |
| Cumulative interest sensitivity gap | (46,168,579) | (63,005,694) | (64,707,693) | 9,019,241 | 10,500,246 | - |

Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

31. Financial Risk Management (Continued)

(d) Market risk (Continued)

(ii) Interest rate risk (Continued)

| | The Company | | | | | Total \$'000 |
|--|------------------------------|----------------------------|-----------------------------|---------------------------|-----------------------------------|-----------------|
| | Within 3 Months \$'000 | 3 to 6 Months \$'000 | 6 to 12 Months \$'000 | 1 to 5 Years \$'000 | Non interest Bearing \$'000 | |
| | 2014 | | | | | |
| Assets | | | | | | |
| Cash and cash equivalents | 7,463,523 | - | - | - | - | 7,463,523 |
| Loans and notes receivable | 2,867,115 | 256,259 | 344,640 | - | - | 3,468,014 |
| Securities purchased under agreements to resell | 13,522,982 | - | - | - | - | 13,522,982 |
| Investment securities | 25,603,448 | 50,271 | 3,618,693 | 68,401,091 | 102,739 | 97,776,242 |
| Total interest bearing assets | 49,457,068 | 306,530 | 3,963,333 | 68,401,091 | 102,739 | 122,230,761 |
| Liabilities | | | | | | |
| Securities sold under agreements to repurchase | 89,358,615 | 15,681,451 | 11,073,842 | 350,437 | - | 116,464,345 |
| Notes payable | 75,464 | - | - | - | - | 75,464 |
| Redeemable preference shares | 4,228,705 | - | - | - | - | 4,228,705 |
| Other payables | - | - | - | - | 369,121 | 369,121 |
| Total interest bearing liabilities | 93,662,784 | 15,681,451 | 11,073,842 | 350,437 | 369,121 | 121,137,635 |
| Total interest sensitivity gap | (44,205,716) | (15,374,921) | (7,110,509) | 68,050,654 | (266,382) | 1,093,126 |
| Cumulative interest sensitivity gap | (44,205,716) | (59,580,637) | (66,691,146) | 1,359,508 | 1,093,126 | - |

Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

31. Financial Risk Management (Continued)

(d) Market risk (Continued)

(ii) Interest rate risk (Continued)

| | The Company | | | | | Total \$'000 |
|---|------------------------------|----------------------------|-----------------------------|---------------------------|-----------------------------------|------------------|
| | Within 3 Months \$'000 | 3 to 6 Months \$'000 | 6 to 12 Months \$'000 | 1 to 5 Years \$'000 | Non interest Bearing \$'000 | |
| | 2013 | | | | | |
| Assets | | | | | | |
| Cash and cash equivalents | 3,774,450 | - | - | - | - | 3,774,450 |
| Loans and notes receivable | 2,618,430 | 100,000 | 41,945 | - | - | 2,760,375 |
| Securities purchased under agreements to resell | 17,197,640 | - | - | - | - | 17,197,640 |
| Investment securities | 26,830,082 | - | 3,625,216 | 64,154,215 | 72,003 | 94,681,516 |
| Total interest bearing assets | 50,420,602 | 100,000 | 3,667,161 | 64,154,215 | 72,003 | 118,413,981 |
| Liabilities | | | | | | |
| Securities sold under agreements to repurchase | 89,157,359 | 12,737,299 | 9,687,789 | 6,298 | - | 111,588,745 |
| Notes payable | - | - | 380,870 | - | - | 380,870 |
| Redeemable preference shares | - | - | - | 2,759,346 | - | 2,759,346 |
| Total interest bearing liabilities | 89,157,359 | 12,737,299 | 10,068,659 | 2,765,644 | - | 114,728,961 |
| Total interest sensitivity gap | (38,736,757) | (12,637,299) | (6,401,498) | 61,388,571 | 72,003 | 3,685,020 |
| Cumulative interest sensitivity gap | (38,736,757) | (51,374,056) | (57,775,554) | 3,613,017 | 3,685,020 | - |

Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

31. Financial Risk Management (Continued)

(d) Market risk (Continued)

(ii) Interest rate risk (Continued)

Interest rate sensitivity

The following table indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on the Group's interest income in the profit and loss account and gains recognised in other comprehensive income.

The sensitivity of the profit or loss is the effect of the assumed changes in interest rates on net profit based on the floating rate financial assets and financial liabilities. The sensitivity of shareholders' equity is calculated by revaluing fixed rate available-for-sale financial assets for the gross effects of the assumed changes in interest rates. The correlation of a number of variables will have an impact on market risk. It should be noted that movements in these variables are non-linear and are assessed individually.

| | The Group | | | |
|-------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | Effect on Profit | Effect on Equity | Effect on Profit | Effect on Equity |
| | 2014 | 2014 | 2013 | 2013 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Change in basis points | | | | |
| JMD/USD | | | | |
| -100/-50 | (444,300) | 3,554,373 | (678,574) | 6,299,005 |
| + 250/+200 | 1,249,824 | (10,056,533) | 678,574 | (5,201,942) |
| | | | | |
| | The Company | | | |
| | Effect on Profit | Effect on Equity | Effect on Profit | Effect on Equity |
| | 2014 | 2014 | 2013 | 2013 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Change in basis points | | | | |
| JMD/USD | | | | |
| -100/-50 | (390,461) | 3,131,652 | (590,675) | 1,679,734 |
| + 250/+200 | 1,010,260 | (7,704,336) | 590,675 | (1,679,734) |

The impact on shareholders' equity is calculated by revaluing fixed rate available-for-sale financial assets for the effects of the assumed changes in interest rates. The correlation of a number of variables will have an impact on market risk.



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31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

31. Financial Risk Management (Continued)

(d) Market risk (Continued)

(ii) Interest rate risk (Continued)

Equity price risk

Equity price risk arises on equity securities held by the Group as part of its investment portfolio. Management monitors the mix of debt and equity securities in its investment portfolio based on market expectations. The primary goal of the Group's investment strategy is to maximize investment returns while managing risk so as to minimize potential adverse effects on the Group's financial performance.

The Group's equity securities are listed on the Jamaica and Trinidad and Tobago Stock Exchanges. A 5% increase or decrease in quoted bid prices at the reporting date would result in an increase or decrease, respectively, in equity of \$9,669,886 (2013: \$5,625,361) for the Group and \$9,353,974 (2013: \$1,960,779) for the company.

(e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risks so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- requirement for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of control and procedures;
- requirement for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of a contingency plan;
- risk mitigation, including insurance where this is effective.



Notes to the Financial Statements

31 March 2014

(expressed in Jamaican dollars unless otherwise indicated)

31. Financial Risk Management (Continued)

(e) Operation risk (Continued)

Compliance with the Group's standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of internal audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to senior management and the Audit Committee.

(f) Capital management

The Group's lead regulator, the Financial Services Commission (FSC), monitors the capital requirements for the Group as a whole.

The objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- (i) To comply with the capital requirements set by the regulators of the financial markets where the entities within the Group operate;
- (ii) To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- (iii) To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored monthly by the Group's management, employing techniques based on the guidelines developed by the Financial Services Commission (FSC), Jamaica Stock Exchange (JSE) and the Risk Management Unit. The required information is filed with the respective Regulatory Authorities at stipulated intervals.

The FSC requires each regulated entity to:

- (i) Hold the minimum level of regulatory capital; and
- (ii) Maintain a minimum ratio of total regulatory capital to risk-weighted assets.

The Group's regulatory capital is divided into two tiers:

- (i) Tier 1 capital: share capital, share premium, retained earnings, negative investment revaluation reserve and cumulative translation reserve.
- (ii) Tier 2 capital: redeemable preference shares and investment revaluation reserve.

The risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

There have been no material changes in the Group's management of capital during the period,

The regulated companies within the Group are: Jamaica Money Market Brokers Limited (JMMB), JMMB Securities Limited (JMMBSL), JMMB Fund Managers (JMMBFM), JMMB Insurance Brokers Limited (JMMBIB), JMMB Puesto de Bolsa, S.A, JMMB Merchant Bank Limited (JMMBMB) and Intercommercial Bank Limited (IBL).

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

31. Financial Risk Management (Continued)

(f) Capital management (Continued)

The table below summarises the composition of regulatory capital and the ratios of the regulated companies within the Group for the years ended 31 March 2014 and 31 March 2013.

| | JMMB 2014 J\$'000 | JMMB 2013 J\$'000 | JMMBSL 2014 J\$'000 | JMMBSL 2013 J\$'000 | JMMBIB 2014 J\$'000 | JMMBIB 2013 J\$'000 |
|--|-------------------------|-------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Tier 1 capital | 14,125,307 | 13,467,679 | 220 | 194 | 82,908 | 79,140 |
| Tier 2 capital | 2,021,228 | 1,103,739 | 24 | 24 | - | - |
| Total regulatory capital | 16,146,535 | 14,571,418 | 244 | 218 | 82,908 | 79,140 |
| Risk-weighted assets: | | | | | | |
| On-statement of financial position | 94,660,502 | 86,862,638 | 153 | 93 | - | - |
| Foreign exchange exposure | 594,078 | 1,622,038 | 140 | 122 | - | - |
| Total risk-weighted assets | 95,254,580 | 88,484,676 | 293 | 215 | - | - |
| Total regulatory capital to risk weighted assets | 17% | 17% | 120% | 101% | - | - |
| Actual capital base to risk weighted assets | 17% | 17% | 120% | 101% | - | - |
| Required capital base to risk weighted assets | 10% | 10% | 10% | 10% | - | - |

| | IBL | | JMMBMB | |
|---|------------------|------------------|-----------------|-----------------|
| | 2014 TT\$'000 | 2013 TT\$'000 | 2014 J\$'000 | 2013 J\$'000 |
| Regulatory capital: | | | | |
| Tier 1 capital | 106,059 | 80,361 | 4,541,939 | 3,313,044 |
| Tier 2 capital | 11,017 | 7,758 | 62,521 | 41,562 |
| Total regulatory capital | 117,076 | 88,119 | 4,604,460 | 3,354,606 |
| Total required capital | - | - | 2,547,666 | 2,009,807 |
| Risk-weighted assets: | | | | |
| On statement of financial position | 840,006 | 741,297 | 22,456,448 | 15,841,303 |
| Off statement of financial position | - | - | 1,525,902 | 968,218 |
| Foreign exchange exposure | - | - | 1,694,308 | 3,288,544 |
| | 840,006 | 741,297 | 25,676,658 | 20,098,065 |
| Actual capital base to risk weighted assets | 14% | 12% | 18% | 17% |
| Required capital base to risk weighted assets | 10% | 10% | 10% | 10% |



Notes to the Financial Statements

31 March 2014

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31. Financial Risk Management (Continued)

(f) Capital management (Continued)

| | JMMBFM | |
|--|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 |
| Tier 1 capital | 205,803 | 176,955 |
| Tier 2 capital | - | - |
| Actual regulatory capital | <u>205,803</u> | <u>176,955</u> |
| Required level of regulatory capital | <u>16,139</u> | <u>14,480</u> |
| Total risk-weighted assets | <u>115,258</u> | <u>124,064</u> |
| Tier one capital to risk weighted assets | 178.6% | 142.6% |
| Total regulatory capital to risk weighted assets | <u>178.6%</u> | <u>142.6%</u> |

The increase of the regulatory capital in 2014 for JMMBFM is mainly due to the contribution of the current period profit.

- (i) The capital requirement for JMMBIB is to maintain a minimum capital base of \$10 million.
- (ii) The capital requirement for JMMB Puesto de Bolsa is RD\$5 million plus other reserve which is 5% of liquid profits. This subsidiary has exceeded all capital requirements.

The individually regulated entities within the Group have complied with all externally imposed capital requirements throughout the year.



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31 March 2014

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32. Fair Value of Financial Instruments

The Group's accounting policies and disclosures require the measurement of fair values for financial assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Market price is used to determine fair value where an active market (such as a recognised stock exchange) exists as it is the best evidence of the fair value of a financial instrument. An active market is one where quoted prices are readily and regularly available from an exchange dealer, broker or other agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

However, market prices are not available for some of the financial assets held and liabilities issued by the Group. For such financial instruments the fair values presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at reporting date. The values derived from applying these techniques are affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates.

When measuring fair value of an asset or liability, the Group uses observable data as far as possible. Fair values are categorized into different levels in a three-level fair value hierarchy. The classification of financial instruments into these levels is determined by reference to the source of inputs used to derive the fair value, and the degree to which the fair value is affected by significant unobservable inputs, as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical instruments;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the instrument, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the instrument that are not based on observable market data (unobservable inputs).

There were no transfers between levels during the period/year.

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.



Notes to the Financial Statements

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32. Fair Value of Financial Instruments (Continued)

Fair value measurement:

The following methods and assumptions have been used to estimate fair values:

| Financial Instrument | Fair value estimation technique |
|--|---|
| (i) Cash and cash equivalents, other receivables, resale agreements, accounts payable, repurchase agreements, Bank of Jamaica certificates of deposits | Considered to approximate their carrying values, due to their short-term nature |
| (ii) Quoted equities | Quoted market bid prices. |
| (iii) Units in unit trusts | Prices quoted by unit trust managers |
| (iv) Non-Jamaican sovereign bonds and corporate bonds | Estimated using bid-prices published by major overseas brokers |
| (v) Government of Jamaica securities: <ul style="list-style-type: none"> • Eurobonds • Bonds issued in Jamaica | Estimated using bid-prices published by major overseas brokers. <ul style="list-style-type: none"> • Obtain bid yield from yield curve provided by a recognised pricing source (which uses market-supplied indicative bids). • Using this yield, determine price using accepted formula. • Apply price to estimate fair value. |
| (vi) Interest in money market funds | Considered to be the carrying value because of the short-term nature and variable interest rate. |
| (vii) Loans and notes receivable | The fair value of fixed rate loans is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. For match-funded loans the carrying value is assumed to be equal to their fair value, as gains and losses offset each other. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values as the impact of credit risk is recognised separately by deducting the amount of the provisions for credit losses from both book and fair values. |



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32. Fair Value of Financial Instruments (Continued)

Fair value measurement (continued):

The following methods and assumptions have been used to estimate fair values (continued):

| Financial Instrument | Fair value estimation technique |
|--|--|
| (viii) Credit default swap | <ul style="list-style-type: none">• Estimated a discount rate based on observable market information• Applied that rate to the cashflows of the host contract |
| (ix) Notes payable | Considered to be carrying value as the coupon rate approximates the market rates. |
| (x) Demand deposits and other accounts with no specific maturity | Considered to be the amount payable on demand on the reporting date. |
| (xi) Deposits and other liabilities maturing after one year | Discounting future cash flows using reporting date yields of similar investments. |

33. Post-employment Benefits

Pensions are the only post-employment benefits to which the Group is committed. To better secure the payment of promised benefits, the company operates a defined-contribution pension plan for the Group's Jamaican employees who have satisfied certain minimum service requirements. Under the plan, a Fund has been established to pay the cost of plan entitlements. The Fund is financed by equal contributions of employer and employees of 5% of pensionable salaries with an option for employees to contribute up to an additional 5% of pensionable salaries.

The Fund is administered by trustees and the assets are held separately from those of the Group, except for some of the assets which are included in funds being managed by the company (Note 34). Under the rules of the Fund, an actuarial valuation should be carried out by the appointed actuaries every three years. An actuarial valuation of the Fund was done as at 31 December 2011 by ACTMAN International Limited, independent actuaries. The valuation report dated 29 May 2009 revealed a funding surplus, a portion of which the trustees allocated to the members' accounts.

The contributions for the year amounted to \$88,735,000 (2013: \$52,349,000) for the Group and \$46,673,000 (2013: \$40,523,000) for the company.

The pension benefit is the annuity that can be purchased by the amount standing to the credit of the member's account at the date of retirement.



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34. Managed Funds

The Group acts as agent and earns fees for managing clients' funds on a non-recourse basis under a management agreement. This includes some of the assets of the Group's pension scheme (Note 33). Although the Group is the custodian of the securities in which the clients participate, it has no legal or equitable right or interest in these securities. Accordingly, the securities in which the client's funds are invested have been excluded from these financial statements.

At 31 March 2014, for the Group and the company, funds managed in this way amounted to \$28,194,178,000 (2013: \$25,641,432,000) which includes pension scheme contributions (Note 33), inclusive of accrued interest, amounting to \$45,764,000 (2013: \$86,578,000) for the Group and the company. The financial statements included the following assets held in (liabilities payable to) the managed funds:

| | The Group | | The Company | |
|--|------------------|---------------|--------------------|---------------|
| | 2014 | 2013 | 2014 | 2013 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Investments | 508,688 | 511,405 | 508,688 | 511,405 |
| Interest payable | (553) | (2,138) | (553) | (2,138) |
| Securities sold under agreements to repurchase | (13,080,333) | (11,748,034) | (13,080,333) | (11,748,034) |
| Customer deposits | (549,951) | (900,970) | - | - |

35. Contingencies and Commitments

(a) Litigation

The Group is subject to claims, disputes and legal proceedings in the normal course of business. Provision is made for such matters when in the opinion of management, after obtaining legal advice, it is probable that a payment will be made and the amount can be reasonably estimated. At 31 March 2014, there was one legal proceeding outstanding against the Group. Based on legal advice, the directors do not expect the outcome of that action to have a material impact on the Group's financial position and as such no provisions were required. (2013: Nil).

(b) Operating leases

The Group has entered into several lease agreements for rental of offices. The amount charged in the profit and loss account during the year is \$113,446,000 (2013: \$59,199,000).

The total annual commitment to be paid is as follows:

| | The Group | |
|--------------|------------------|---------------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| 2104 | - | 90,109 |
| 2015 | 134,404 | 66,517 |
| 2016 | 123,970 | 66,774 |
| 2017 | 123,773 | 67,050 |
| 2018 | 117,417 | - |
| 2019 | 117,417 | - |
| Over 5 years | 615,966 | - |



Notes to the Financial Statements

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36. Subsequent Event

On 30 April 2014, the company, through its wholly-owned subsidiary, JMMB Investments (Trinidad and Tobago) Limited, acquired 100% ownership of AIC Securities Limited, for TT\$5,363,995 (equivalent to approximately J\$91,510,000 at the exchange rate prevailing at that date).



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