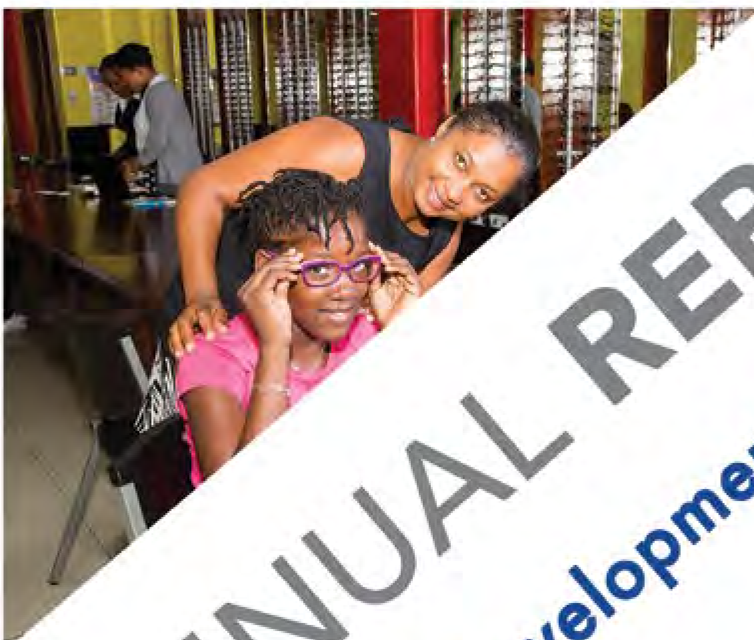
ANNUAL REPORT 2015-16

Development Bank of Jamaica Limited

Facilitating economic growth and development



MISSION

The Development Bank of Jamaica provides opportunities to all Jamaicans, to improve their quality of life through development financing, capacity building, public-private partnership and privatisation solutions in keeping with Government policy.

CORE VALUES

Professionalism

Integrity

Accountability

Innovation

VISION

In 2020, the Development Bank of Jamaica is recognized as the foremost contributor to, and facilitator of the country's Economic Growth and Social Inclusion through the provision of innovative, accountable, and customer centric development finance and support services

BACKGROUND

The Development Bank of Jamaica (DBJ) was established in April 2000, the outcome of a merger between two wholly owned Government of Jamaica institutions, the Agricultural Credit Bank of Jamaica Limited and the National Development Bank of Jamaica Limited.

In September 2006, the operations of the National Investment Bank of Jamaica were merged with the DBJ.

The Ministry of Finance and Planning has portfolio responsibility for the DBJ.

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Board of Directors

Joseph M. Matalon
Chairman

Milverton Reynolds
Managing Director

Richard Burgher

Jeffrey Cobham

Marc Harrison

Dennis Morrison

Shakira Pickersgill
Company Secretary

Errol Powell

Ann Marie Rhoden

Paul B. Scott

Donna Scott Mottley

Dr. Dhiru Tanna

Maureen Webber

Management Team

Milverton Reynolds
MANAGING DIRECTOR

Dorothea Simpson
GENERAL MANAGER
Finance & Treasury

Edison Galbraith
GENERAL MANAGER
Loan Origination & Portfolio Management

Denise Arana
GENERAL MANAGER
Public-Private Partnerships & Privatisation Services

Sheron Henry
GENERAL MANAGER
Legal Services

Claudine Tracey
GENERAL MANAGER
Strategic Services

Tamara Baugh-Brissett
GENERAL MANAGER
Auditing Services

Yvonne Williams
GENERAL MANAGER
Human Resources & Administration

Cleveland Malcolm
GENERAL MANAGER
Management Information Systems

Courtney Lodge
GENERAL MANAGER
Micro Finance Services

Claudette White
MANAGER
Communication & Marketing

Chairman & Managing Director's Report

Contributing to Economic Growth and Social Inclusion Agenda

The DBJ continued on its journey in the 2015/16 Financial Year with the drive to be recognized as the foremost contributor to Jamaica's economic growth and social inclusion. This was supported by a revised strategic plan and Vision statement.

The new Vision **"In 2020, the Development Bank of Jamaica is recognized as the foremost contributor to, and facilitator of the country's Economic Growth and Social Inclusion through the provision of innovative, accountable, and customer centric development finance and support services"**, demonstrates the DBJ's awareness and acceptance of the critical role the organisation is playing in the country's transformation.

During the period under review, the Bank delivered on its strategies and programmes by achieving most of its major performance targets as the DBJ exercised its mandate to facilitate economic growth and development.

Jamaica is currently in the third year of a four-year Extended Fund Facility (EFF) with the International Monetary Fund (IMF)

Potential Jobs Created
Based on the financing provided by the Bank in the 2015/16 Financial Year, 8,660 potential jobs were created. This exceeded the target for the financial year under review by 660 jobs.

Delivering on Investments
Total investments supported by DBJ (Lending and Privatisation and PPPs) exceeded its target by 7% with investments of $25.8 billion in 2015/16 relative to the target of $24.1 billion.

Supplying Credit to Jamaican MSMEs
The DBJ approved $6.065 billion in MSME financing in the 2015/16 Financial Year; 51% ahead of the targeted $4.0 billion. This represented 11,779 MSME Loans.

Focus on Financing to the MSME Sector
To ensure that the Bank focuses on providing credit to the MSME sector, a target was established to ensure that at least 35% of the loan portfolio consisted of MSME loans. The Bank once again exceeded that target, as 72% of the loan portfolio consisted of MSME loans.

Facilitating the Creation of New Businesses
The Bank continued with its objective of increasing the number of new businesses supported by DBJ. A target of 125 was established for the year under review, but this was exceeded with 128 new businesses supported by DBJ during the 2015/16 Financial Year.

The Privatisation & Public-Private Partnership programmes attracted total investment of J$12.2 billion, exceeding the 2015/16 target of J$12 billion by 2%

Economic Overview

It is critical to contextualize the DBJ's performance during 2015/16 within Jamaica's socio-economic environment.

Jamaica is currently in the third year of a four-year Extended Fund Facility (EFF) with the International Monetary Fund (IMF), which was signed in May 2013 for approximately US$952.0 million.

During Financial Year 2015/16, the Government of Jamaica continued to implement several required structural reforms in order to reduce the heavy debt burden, facilitate sustainable economic growth and also meet the set quantitative targets for the EFF review, which have been met for 12 review periods. The country's performance under the programme has been successful thus far, with Jamaica passing 10 reviews consecutively and with the 11th and 12th review currently underway.

Included in the structural benchmarks that were achieved during 2015/16 were:

- The implementation of the Banking Services Act
- The tabling of the regulatory regime, which included a revised tax regime, for Special Economic Zones
- Passage of legislation giving the Bank of Jamaica responsibility for overall financial stability in the economy.

The Jamaican economy has experienced improvements in real GDP growth having registered positive quarterly year-over-year growth since the last quarter of the financial year. The improvement in the economy has also been reflected in labour market conditions characterized by a declining unemployment rate.

Jamaica's Ranking

- Jamaica was ranked 64th out of 189 countries (9th out of 32 Latin American and Caribbean countries) in the 2016 Doing Business Report; this was a slight decrease compared with 2015's ranking of 58th. The category for which Jamaica ranked the best was in getting credit, where a ranking of 7th (out of 189) was achieved, while the worst performing category was paying taxes and trading across borders, which achieved a ranking of 146th.
- Jamaica's competitiveness performance was ranked 86th out of 140 countries in the 2015 Global Competitiveness Index Report. Jamaica improved in 7 of the 12 pillars, with the greatest improvement in the 'Financial Market Development' pillar with the ranking moving from 48th in 2014 to 32nd in 2015.

Real Sector

The Jamaican economy grew by 0.9 per cent for the quarter ending March 2016, when compared to the similar quarter in 2015. This resulted from increased output levels in both the Goods Producing Industries of 1.0 per cent and the Services Industries of 0.8 per cent. The positive performance of the Goods Producing Industries were mainly in the Agriculture, Forestry & Fishing, Manufacturing and Construction industries, which was a result of increased demand and improved weather conditions.

Monetary Developments and Interest Rates

The Bank of Jamaica decided to ease its monetary policy stance,




Macs Pharmaceutical & Cosmetics 05 Limited in Old Harbour, St. Catherine, manufactures over-the-counter high quality products that include creams, ointments, gels, solutions and tablets. A DBJ loan allowed the company to acquire and install equipment to facilitate the sterilization of the ingredients used to manufacture IV Fluid and Eye Drops.

influenced by the reduction in macroeconomic vulnerabilities due to the Government's robust implementation of reforms under the Economic Reform Programme. Other developments also informed this decision, such as continued growth in the net international reserves, the decline in the current account deficit and the improvement in the national debt ratios.

Interest rates have fallen in the market place led by the decline in the average yield on GOJ 180-day Treasury Bills for all quarters of the 2015/16 Financial year. For the quarter ending March 2016, the average yield of 5.83% was 122 basis points (1.22 percentage points) lower than the yield for the corresponding period of FY 2014/15.

Inflation and Exchange Rate

Inflation in calendar year 2015 was 3.7%, (6.4% in 2014) the lowest rate in almost 50 years. For the 2015/16 fiscal year, inflation was 3.0%. Prudent and complementary monetary and fiscal policies, alongside favourable energy prices, have served to maintain inflation at low single digits, which is expected to continue over the medium term.

Most inflationary pressure emanated from the upward movements in the price of agricultural food items, stemming from reduced supplies due to sustained drought conditions. This was however offset by a general fall in the cost for energy related goods as a result of persistently low international oil prices. Importantly, the inflation differential between Jamaica and the United States has reduced significantly. The reduction is even more pronounced in the case of the all-items CPI excluding the more volatile food and energy sub-indexes. Indeed, for this sub-aggregate, the Jamaica-US gap has closed almost entirely. This should contribute to continued easing in exchange rate pressures.

Between March 2015 and March 2016, the Jamaican dollar depreciated by 6.0%, in comparison to 5.0% between March 2014 & March 2015. The exchange rate at the end of March 2016 was $122.04, compared to $115.04 at the end of March 2015.

Labour Force

In January 2016, there were 1,163,600 persons employed in Jamaica, consisting of 651,300 males and 512,300 females. This is a negligible (3%) increase compared with the total employed of 1,132,700 in January 2015.

In January 2016, the overall unemployment rate was 13 per cent for both sexes with a higher rate among females than males (17% and 10% respectively). This overall unemployment rate reflected a decrease of 1.2% when compared to January 2015, which recorded an unemployment rate of 14.2 per cent.

Inflation in calendar year 2015 was 3.7%, (6.4% in 2014) the lowest rate in almost 50 years.

DBJ'S 2015/16 PERFORMANCE

Enhancing the Business Environment and Access to Finance

Creating history within lending to the Micro, Small and Medium-sized Enterprises (MSME) Sector

The DBJ created history in the 2015/16 Financial Year by lending $6,065 million to the MSME sector, the highest amount lent to the sector in any year. This exceeded the loan target of J$4,000 million by 51%, a tremendous achievement for the sector. This level of lending activity supported 11,779 loans unlocking employment for 8,660 Jamaicans. The loans were facilitated through our lending partners: Micro Finance Institutions (MFI), National People's Cooperative Bank (NPCB) and Approved Financial Institutions (AFI), with a few loans through our Direct Lending window.

The Bank has increased lending to the micro-business sector by providing $1,104 million through our Micro Finance Lending window to micro-entrepreneurs. Some 86% of the Bank's overall lending was directed to MSMEs reaffirming our commitment to facilitating growth of this sector.

Increasing the number of partners to deliver on the MSME agenda

A strategy employed to increase lending to the MSME sector was to expand the distribution channels available for the sector to access the Bank's funding. The DBJ's Approved Financial Institutions and Microfinance Institutions are the primary channels for lending to the productive sectors. At the end of 2015/16, the DBJ had increased the number of accredited AFIs to 22 and the number of accredited MFI offering the Bank's lending products to 13.

Addressing SMEs Limited Access to Collateral

Although the Secured Interest in Personal Property Act (SIPPA) was passed, it has not been fully utilized by the financial sector. As a result, collateral deficiencies and challenges are still faced by SMEs. The DBJ's solution to this market gap was the Credit Enhancement Facility (CEF) which was established with the objective to significantly increase the number of SMEs that access credit by providing AFIs with additional collateral coverage on loans made to SMEs.

Throughout the financial year constant improvements were undertaken to increase the attractiveness of the CEF to AFIs; this resulted in an increase in the coverage amount of guarantees, as well as amendments to the facility to allow available guarantee coverage for both DBJ and AFI funded loans.

During the year, the DBJ approved 56 guarantees valuing $282.3 million supporting $539.2 million in loans through seven AFIs including 22 approved for loans funded by AFIs. This compares to 51 guarantees valuing $218.7 million and supporting $487.4 million in loans through eight (8) AFIs in 2014/15. Since inception, the CEF has facilitated the issue of $1.58 billion (including US$0.2 million) in loans to 251 SME sub-borrowers with guarantees totaling $774.8 million.

The DBJ continues to work on improving the facility, and continues to explore options to enhance its attractiveness to the AFIs.

Enhancing MSMEs access to finance through Capacity Development Support

- 238 vouchers for technical assistance were issued, potentially unlocking loans of J$3.5 billion since April 2015, to SMEs who were actively seeking credit for their businesses.
- 119 new businesses were supported or created by the business development programmes
- 101 potential new jobs were created as a result of DBJ - facilitated business development programmes
- 38 energy audit grants were approved, with $64.4 million in investments in energy efficiency and renewable energy
- 787 MSMEs have benefitted from capacity development initiatives of DBJ supported programme. (Target 500 MSMEs)
- $230.6 million in loans were disbursed as a result of capacity development.

The Bank provided $74.6 million in technical assistance grants to over 20 capacity development projects during 2015/16. The projects supported included the provision of business development services to improve


Caymanas Track Limited is being privatised. The DBJ received two proposals and a preferred bidder was selected and approved by Cabinet in March 2016.

The DBJ continued to support start-ups at various stages of their businesses

business management and operations, export development and innovation. The Bank also supported the Land Acquisition Management Programme (LAMP) that issued over 2,000 land titles, enabling owners to use the properties as collateral when access financing from respective financial institutions.

Enhancing the Business Environment

Enhancing the Entrepreneurship Ecosystem

The DBJ continued to support start-ups at various stages of their businesses during the 2015/16 financial year. Support was provided to the Start-Up Jamaica Incubator, a programme spearheaded by the Ministry of Science, Technology, Energy and Mining in partnership with large private sector sponsors during the 2015/ 16 Financial Year. Through the support provided, 140 tech-savvy entrepreneurs were exposed to incubation and acceleration.

Customarily, the most fertile grounds for creativity and innovation are university campuses. The Bank, in collaboration with its partners, hosted the third National Business Model Competition (NBMC). The NBMC is well entrenched on the universities' calendars, and has impacted approximately 700 student entrepreneurs, facilitating training in the Lean Start-up methods of developing their business models and pitching their businesses to a panel of private sector judges. The competition is an excellent opportunity to create a deal flow of innovative, high potential enterprises that are attractive to local and international angel and venture capital financiers.

DBJ Supports Innovative Ideas

The Innovation Grant from New Ideas to Entrepreneurship (IGNITE) pilot project was approved by the Board of Directors during the year under review. The pilot project entailed issuing grants of up to $4.0 million (or 70% of the project cost) to MSMEs with innovative business models requiring financing to boost these operations. Three Business Service Intermediaries were selected to partner with the DBJ to shortlist the innovative projects for evaluation, contribute to the presentation of proposals, channel the funds to the entrepreneurs, and monitor the operations of the grant recipients.

Establishing a Venture Capital and Private Equity Ecosystem

The DBJ has earmarked an initial amount of US$3.75 million for investment in three private equity and venture capital funds. To date US$1, 75 million of that amount has been committed to two of the funds.

Angel investors are critical in the VC ecosystem; the two angel investor networks established by private sector investors, namely First Angels Ja and Alpha Angels, located in Kingston and Montego Bay respectively, now have 41 Angels between them. The support and training of these networks, through the World Bank's InfoDev project, continued during the year and five companies have received investments from these angels.

Jamaica's recognition on the Latin American & Caribbean Association's biannual Scorecard is a welcomed endorsement of the work being done to establish a VC ecosystem. The focus going forward will be to address the gaps identified in an effort to build a sustainable industry.

Unlocking value for Government of Jamaica assets

The Privatisation and Public-Private Partnership Division facilitated $13.4 billion of investments in the economy while moving key projects forward. Through its management of the Government's Project Preparation Facility, the Division facilitated the approval of US$990,000 and the disbursement of US$191,000 in project development funding for various transactions under development as well as technical assistance for investment support.

Two major privatisation transactions were completed, during the year under review; these projects were the Kingston Container Terminal and the Petroleum Company of Jamaica Limited. The Kingston Container Terminal PPP transaction, which achieved commercial close in April 2015 advanced closer to financial close in 2015/16. Financial close is expected in June 2016 with handover expected in 2016/17.

The committed investment by the concessionaire of US$459M for Phase 1 activities is expected to be implemented over four years. Cabinet approved the final negotiated terms for the sale of the Petroleum Company of Jamaica (PETCOM) to Phoenix Fuels and Accessories Limited for US$19M, in February 2016. The sale agreements were expected to be finalized and executed in April 2016; and financial close and collection of the sale proceeds expected by July 2016.

DBJ's Strategic Investments

DBJ created a direct loan facility to encourage developers to address an identified lack of adequate Business Process Outsourcing (BPO) space, unlock the industry's potential and attract global operators and boost Jamaica's ICT/BPO profile. DBJ is also working to encourage private financiers to fund BPO developers and support local grown BPO operators who can also access DBJ funding for expansion through AFIs supported by DBJ guarantees.

Up to April 2016, DBJ had approved loans of US$56M for 11 projects to create 771,550 sq. ft. BPO space and employ 17,000 persons, doubling the size of the BPO industry once completed and effectively achieving the targets set in the National BPO Strategy.

DBJ's strong financial base

The Development Bank of Jamaica continues to display a strong financial position, which has allowed the Bank to play a proactive role in the Jamaican economy. The Bank's Asset and Equity bases indicate a strong financial position; for the year ended March 31, 2016, the Bank recorded total Assets of J$127,122.6 million, the Equity base stood at J$9.8 billion and the Net Profit was J$355.2 million.

The DBJ's Credit Rating reaffirmed

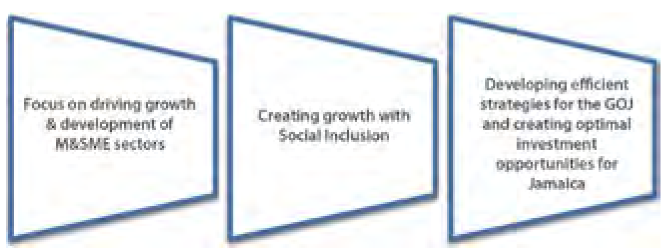
For the period under review, the Caribbean Information and Credit Rating Services Limited (CariCRIS) reaffirmed its Corporate Credit ratings of CariBBB+ (Foreign Currency Rating) and CariA- (Local Currency Rating) on the regional rating scale and jmAA on the Jamaica national scale for the Development Bank of Jamaica Limited (DBJ) with a stable outlook.

Corporate Governance

The Bank believes that strong corporate governance is imperative to achieving its mandate. The DBJ's proactive approach to promoting good governance, strong risk management and internal control systems saw the DBJ Board approving two critical policies; these were the Research Framework Policy and the Product Development Policy.

The DBJ will continue to deliver in 2016/17 and beyond

The DBJ remains committed to fulfilling its mandate and delivering on its goals and strategy built on the pillars of its medium-term strategy:



In so doing, the DBJ will continue to increase investments, new job creation, new business generation, public sector efficiencies and national output and improve the quality of life for all Jamaicans.

Without a dedicated and loyal management team and staff, much of this performance would not have taken place and, on behalf of the Board, we would like to express our sincere appreciation to all who made it possible.

DBJ Financial Highlights

Comparative Financial Summary (J$M)

Year Ended 31-Mar	2016	2015	2014	2013	2012	2011	2010	2009
Total Income	1,671.8	2,342.4	2,110.3	1,586.40	2,740.60	4,413.20	4,175.50	3,901.20
Total Interest Income	1,294.9	1,255.5	1,198.6	1,142.50	1,764.80	3,688.50	3,792.90	3,393.70
Total Interest Expense	524.9	494.3	531.0	477.1	1,053.50	2,889.50	2,992.20	2,500.60
Non-Interest/Other Income	376.8	1,086.9	911.7	443.9	975.8	724.7	382.6	507.5
Non-Interest Expense	779.3	724.9	650.1	603.1*	567.3	805.8	705.3	890.9
Net Profit Before Impairment Loss	355.5	1,108.2	929.2	506.2	1,119.90	1,002.60	604.3	980.1
Impairment Loss	0.0	0.0	(177.4)	(2,928.30)	(407.50)	(279.10)	(287.90)	(562.70)
(Loss)/Profit for year	355.5	1,108.2	742.8	(2,453.2)	691.7	723.5	316.4	417.4
Total Assets	27,122.6	24,407.9	23,269.2	22,167.8	22,624.4	48,928.0	49,686.2	46,414.5
Total Equity	9,817.1	9,616.1	8,468.2	7,641.3	10,634.6	9,978.7	9,536.1	8,921.9
Loans Payable	17,305.5	14,294.5	14,433.5	14,125.6	11,491.2	38,597.9	39,851.5	36,473.1
Regular Loan Portfolio	17,317.8	16,729.2	15,263.5	11,966.7	11,948.2	9,060.9	12,239.9	10,605.8

The Financial Year 2015/16 represents another period of success as indicated by the DBJ's creditable financial performance, allowing the institution to continue to play a proactive role in the Jamaican economy.

For the year ended March 31, 2016, the DBJ recorded total Assets of J$27,122.6 million, the Equity base stood at J$9.8 billion and the Net Profit was J$355.5 million. The Bank's Statement of Financial position continued to reflect a strong financial position.

The Asset and Equity bases indicate a strong financial position allowing the DBJ to play a major part in the Government's Growth Agenda programme.

Income

The DBJ's Total income of $1,671.8 million for the financial year ended 31 March 2016 represents a decrease of 27% below the previous financial year and the reduction in income was mainly due to the recovery in the previous year of an impairment loss provision amounting to $705.4 million. Excluding recovery of the previous impairment loss provision, the income of $1,609.6 million for the financial year ended March 31, 2016, represents 2% below the income of $1,637.0 million reported for the previous financial year.

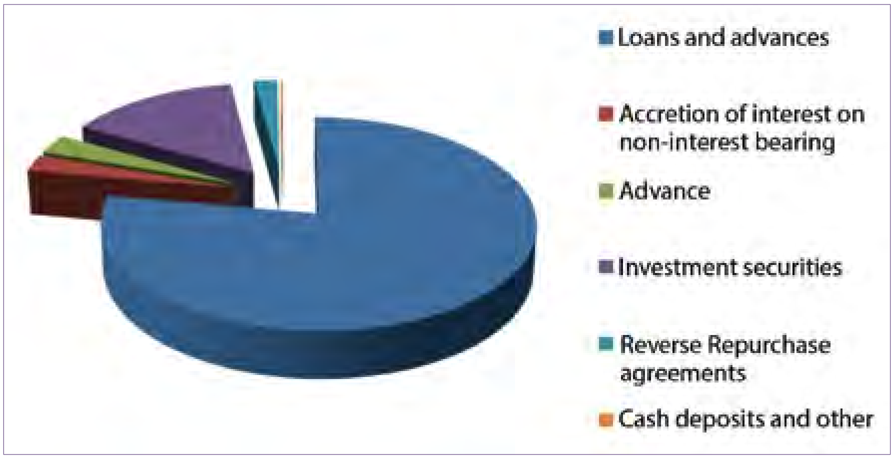
Interest Income

For the period under review, Interest Income amounted to $1,294.9 million and represented an increase of 3.0% above the previous financial year.

The Bank's interest earning assets increased when compared with the values recorded for the previous financial year as follows:-

- The Bank's Loans Portfolio, which includes a mortgage receivable from Ackendown of $1,522.2 million (US$12.5M), increased by 2%, moving from $16,729.2 million at the beginning of the financial year under review, to $17,317.8 million at the end of March 31, 2016. The interest income from the Loans Portfolio amounted to $1,037.1 million and represented a 3% increase above the earnings recorded for the previous year. This

The following sources generated the interest income:-



As a part of its privatisation programme, the DBJ sold approximately 524 acres of the 2,972 acres that comprise the Montpelier Citrus Company Limited to the Hanover-based Ramble Enterprise Limited (a family-owned company) which has developed the property as a farm that produces cattle, ginger, pineapple and citrus as well as a dairy processing facility.

Interest Income

	2016 $'000	2015 $'000
Loans and advances	1,037,101	1,006,073
Income from Sugar Loan Agreement	33,839	27,075
Advance		18,590
Investment securities	195,230	194,159
Reverse Repurchase Agreements	26,184	7,558
Cash deposits and other	2,555	2,058
	1,294,909	1,255,513

increase was mainly due to increased lending amounting to 4% above the 2014/15 financial year.

- The Bank's Investment in repurchase agreements increased by $1,457.1 million or 435% when compared with the Investments in this category for the previous financial year amounting to $335 million. The increase was mainly due to amounts borrowed but not disbursed at the year end. Interest income for the year 2015/16 on Investments amounted to $26.2 million and was 246 per cent above the earnings recorded for the previous financial year.
- DBJ's interest in its Associated Companies increased from $940.6 million at the beginning of the year to $1,011.2 million at March 31, 2016. The increase of 7.5% was mainly due to additional funding provided by the Bank.
- The Bank's Investments also showed an increase, moving from $2,724.0million to $2,824.3million at March 31, 2016; this increase was mainly due to an increase in the carrying value of investments.

DBJ's interest in its Associated Companies increased from $940.6 million at the beginning of the year to $1,011.2 million at March 31, 2016.

Staff at the EHF Group display samples of the nutraceutical products that are manufactured by Bio Tech Research & Development Institute at its Eden Garden Wellness and Lifestyle Limited location in Kingston, employing close to 100 persons.

Other Income

During the Financial Year 2015/16, the DBJ recorded other income amounting to $376.8 million, of which 16% or $62.2 million arose from the recovery of previous impairment losses. Other items included administrative fees, rental income, commitment fees, appreciation in fair value of investment properties and net foreign exchange gains arising on the translation of Assets and Liabilities and are highlighted below:-

Other Income

	2016 $'000	2015 $'000
Administrative fees	18,305	17,867
Commitment fees	60,093	41,644
Gain on disposal of property and equipment	1,099	693
Rental income	95,768	89,581
Dividends	-	1
Foreign exchange gains	3,364	132,726
Collections in respect of loans previously written off	62,198	705,367
IDB Venture Capital conference - income	1,518	4,293
IDB Venture Capital conference - expenses	(1,518)	(4,293)
Appreciation in fair value of investment properties	15,721	28,657
Public Private Partnership & Privatisation fees	53,751	65,314
Miscellaneous	66,473	5,148
	376,772	**1,086,998**

The other category of this non-interest income relates to interest from staff loans, processing fees from loans and penalty interest arising on late payments, proceeds of sale of shares in Thermo Plastics Limited amounting to $30.8 million and legal fees of $16.4 million.

Interest Expenses

Interest expense for the financial year under review amounted to $524.9 million, representing an increase of 6% above the previous year's interest of $494.3 million. This increase was mainly due to additional loans drawn down during the year. The Bank honored its loan obligations to the multilateral Institutions on a timely basis during the year under review.

Non-Interest Expenses

During the period under review, the company incurred operating costs totaling $779.3 million and this represented an increase of 7.5% above the costs incurred in the previous financial year 2014/15 of $724.9 million The Bank continues to contain its costs by implementing cost efficiency measures.

The following items are significant or showed increases over the previous year:-

Staff Costs

	2016	2015
	$'000	$'000
Salaries and Wages	340,964	303,883
Payroll taxes	23,279	20,623
Pension costs - defined benefit plans (Note 19)	6,958	1,779
Performance incentive bonus	24,517	20,398
Other	71,927	63,594
	467,645	410,277

The 12.2 % or $37.1 million increase in salaries is attributable to a 25% increase in motor vehicle allowance and a 4% increase in salaries approved by the Ministry of Finance & Planning (MOFP). Also contributing to this increase was an approval of an incremental pay system by MOFP in 2014/15 for which a full year's charge was included in the salaries for the financial year under review and staff vacancies which were filled.

Professional Fees

Professional Fees for the financial year ended March 31, 2016 amounted to $33.5 million representing 27.8% above the previous year. The increase was mainly due to payment of $6.8 million for a strategic review of the Bank and $5.3 million was paid for staff assistance to the National People's Co-operative Bank (NPCB).

Occupancy costs

Occupancy costs, which include electricity, insurance, security and repairs and maintenance, recorded a decrease of 3.6% below the costs incurred in the 2014/15 Financial Year. The decrease resulted mainly from a reduction in electricity costs.

Net Profit

The DBJ recorded a net profit of $355.5 million, for the year ended March 31, 2016 and continues to carry out its mandate of providing financial solutions to viable projects and facilitating growth and development in the economy. The Bank has adequate reserves and assets to continue this mandate.

Shareholder's Equity increased by 2.1%, moving from $9,616.1 million at the beginning of the year...to $9,817.1 million at the end of March 2016

ASSET & EQUITY BASES

Asset Base

The DBJ's asset base stood at $27,122.6 million as at 31 March 2016. This represented an increase of 11% cent above the Total Assets recorded for the Financial Year 2014/15 which amounted to $24,407.9 million. This increase was mainly due to an increase in loan disbursements to viable projects in the economy.

Equity Base

Shareholder's Equity increased by 2.1%, moving from $9,616.1 million at the beginning of the year under review to $9,817.1 million at the end of March 2016. The Equity base remains strong providing the foundation for the Bank to execute its mandate and play a proactive role in fostering growth in the economy.

FUNDING

Funding to meet the Bank's loan disbursements and debt obligations during the year came principally from loan reflows, internally generated cash provided from operations, and loans drawn in the amount of J$2,987.524 million. Included in this amount was US$11.2 million from the PetroCaribe Development Fund; $404.6 million from the National Insurance Fund; the World Bank Energy line of $225.644 million; and $712 million from the World Bank Foundations for Growth and Competiveness Project.

During the period under review, the DBJ successfully negotiated a US$15 million unsecured line of credit (of which US$5.850 million has been drawn for lending) with a technical grant of US$200,000 from the Caribbean Development Bank.

The Bank is currently negotiating (a) an unsecured line of credit amounting to $1.3 billion with a technical grant of approximately US$2 million to US$3 million from the European Investment Bank to be on-lent to SMEs and (b) two US$20 million lines of credit from the PetroCaribe Development Fund for the ICT BPO Sector.

The DBJ has maintained a very good relationship with the China Development Bank and has borrowed and repaid a US$20 million line of credit, the DBJ is again negotiating an unsecured line of US$10 million from the Chinese institution.

FUNDS MANAGEMENT

As one of its functions, the DBJ manages the following funds:

1. Capital Development Fund
2. Intech Fund
3. Rio Tinto Alcan Legacy Fund
4. National Investment Bank of Jamaica
5. Credit Enhancement Fund (CEF)
6. Divestment Escrow Fund

The Bank also provides accounting services to National Road Operating and Constructing Company Ltd. (NROCC), Harmonisation Ltd. and Silver Sands Estates Ltd.

LOAN PORTFOLIO

The distribution of the outstanding loan portfolio at the end of the year 2016 and 2015 is shown as follows:-

	2016	2015
	J$'000	J$'000
Loans to AFIs	9,880.1	9,314.9
Loans to PC Banks	958.2	1,078.9
Loans to direct borrowers	3,894.1	3,631.5
Loans to MFIs	1063.2	768
Mortgage receivable from Ackendown	1,522.2	1,935.7
	17,317.8	**16,729.2**

At the end of the 2015/16 Financial Year, the total outstanding loan portfolio of the Bank stood at $17,317.8 million compared to $16,729.0 million for the financial year ended 31 March 2015, an increase of 3.5%.

Optical Solutions International Limited provides ophthalmic care ranging from minimal eye care to surgeries; and prescription lens and frames for sale in their 10 locations islandwide. A DBJ loan and guarantee allowed OSIL to purchase optical equipment (Expert Edging System) and maintain or create approximately 40 jobs.

SOLVENCY

At the end of the period under review, the Bank reported a debt/ equity ratio of 1.6:1 in line with the ratio of 1.4:1 at the end of the previous year. This ratio remains within the guidelines of the multilateral lending agencies, which stipulate a maximum range of between 4:1 and 6:1. The DBJ's strong Asset and Equity bases will enable the Bank to attract additional funding and successfully undertake its mandate of assisting in the economic development of the Jamaican economy.

Loan Origination & Portfolio Management

Review of Lending Activities

	No. of Loans		Approvals		Investments		New Jobs	
Sector		**%**	**J$M**	**%**	**J$M**	**%**		**%**
Agriculture	**1,309**	11.1%	**510.969**	7.3%	**906.217**	7.4%	**60**	0.7%
Agro-Industry	**1**	0.0%	**77.000**	1.1%	**85.802**	0.7%	**-**	0.0%
Distribution	**7,002**	59.4%	**910.404**	13.0%	**1,503.189**	12.3%	**67**	0.8%
Manufacturing	**409**	3.5%	**1,630.187**	23.2%	**3,067.563**	25.0%	**125**	1.4%
Mining & Quarry	**1**	0.0%	**20.000**	0.3%	**25.318**	0.2%	**8**	0.1%
Service & Transport	**3,034**	25.7%	**1,687.581**	24.0%	**3,165.399**	25.8%	**1,783**	20.6%
ICT/BPO	**6**	0.1%	**2,085.683**	29.7%	**3,344.860**	27.3%	**6,600**	76.2%
Tourism	**34**	0.3%	**107.375**	1.5%	**151.704**	1.2%	**17**	0.2%
TOTAL	**11,796**	**100.0%**	**7,029.200**	**100.0%**	**12,250.052**	**100.0%**	**8,660**	**100.0%**

In 2015/16, DBJ's lending operations continued to deliver outstanding results in support of the Government's Growth Agenda.

In addition to loans made through its own funds, the DBJ is increasingly facilitating loans that are funded by its Approved Financial Institutions (AFI) that use their own funds but backed by the DBJ's Credit Enhancement Facility (CEF).

DBJ's continued emphasis on growth with social inclusion was highlighted by the provision of loan financing to support the creation of 8,660 new jobs, including 62 jobs by CEF AFI-funded loans; and increasing access to financing by micro, small and medium-sized enterprises (MSME) through the delivery of 11,779 MSME loans, including 22 CEF AFI-funded loans. DBJ's intensified engagement of MSMEs and Approved Financial Institutions (AFI) continued to bear fruit with MSME lending increasing by 42% to $6,065 million (including $177 million by CEF AFI funded loans) or 86% of overall lending; while loans through AFIs amounted to $4,320 million or 61% of overall lending (including $177 million by CEF AFI funded loans) .

REVIEW OF LENDING ACTIVITIES

During the year, the Bank's lending activities facilitated overall new investments of $12,250 million (including $219 million by CEF AFI funded loans); and the creation of 8,660 new jobs (including 62 jobs by CEF AFI funded loans) while maintaining 15,200 existing jobs (including 267 jobs by CEF AFI funded loans). This reflects a continued focus on the $15,678 million in investments; 3,639 potential new jobs and 19,809 jobs maintained in 2014/15.

The loans approved, investments supported and potential new jobs created for 2015/16 were distributed by sector as below:

LOAN APPROVALS

DBJ's impact on new investments and job creation was facilitated through the approval of 11,796 new loans (including 22 CEF AFI funded loans) with a total value of $7,029 million (including $177 million by CEF AFI funded loans) compared to 9,083 new loans with a total value of $7,670 million in the previous year.

DBJ's loan approvals were distributed to various sectors and through the following channels as below:

Channel	# of Loans	Loan Approval in J$'M	%
NPCB	9	134.735	1.9%
AFI	112	4,320.518	61.5%
MFI	11,668	1,104.711	15.7%
Direct	7	1,469.236	20.9%
Total	**11,796**	**7,029.200**	**100.0%**

Domestic Currency Approvals

Local currency loan approvals for the year, compared to the previous year, amounted to 11,788 loans valued at $3,973 million. These loans were realized through the following channels:

- Approved Financial Institutions – 110 loans valued at $2,701 million, down from 107 loans valued at $3,279 million
- National People's Co-operative Bank – 9 loans valued at $134 million, down from 35 loans valued at $212 million
- Micro Finance Institutions – 11,668 loans valued at $1,104 million, up from 8,932 loans valued at $796 million
- Direct Lending – 1 loan valued $32 million, up from 0 loans valued $0 million

Foreign Currency Approvals

Foreign currency loan approvals for the year, compared to 2014/15, amounted to 8 loans valued at US$25.1 million. These loans were realized through the following channels:

- Approved Financial Institutions – 2 loans valued at US$13.3 million, up from 3 loans valued at US$11.0 million
- Direct Lending - 6 loans valued at US$11.8 million, down from 6 loans valued at US$18.5 million

LOAN DISBURSEMENTS

The DBJ's loan disbursements for the year amounted to $5,560 million.

Local Currency Disbursements

Local currency disbursements for the year amounted to $3,828 million. These loans were realized through the following channels:

- Approved Financial Institutions – $2,538 million, down from $2,731 million in the previous year
- National People's Co-operative Bank – $123 million, down from $220 million
- Micro Finance Institutions – $1,125 million, up from $854 million
- Direct Lending – $41 million, down from $159 million

Foreign Currency Disbursements

Foreign currency disbursements for the year amounted to US$14 million. These loans were realized through the following channels:

Approved Financial Institutions – US$4.9 million, up from US$0.8 million in 2014/15

Direct Lending – US$9.2 million, down from US$11.1 million

REVIEW OF LENDING PROGRAMMES

DBJ's Lending through Approved Financial Institutions (AFI)

The DBJ's primary channel for lending to the productive sector remains the extensive branch network of its AFIs which includes all commercial banks as well as other lending institutions.

The DBJ's efforts during the year focused on increasing lending through existing AFIs as well as increasing its reach to MSMEs through the expansion of its distribution channels to new AFIs.

Richard Bennett started his poultry farm in 2005 with two poultry houses of 20,000 sq. ft. each in St Catherine. He obtained a DBJ loan through the National People's Co-operative Bank to expand to eight poultry houses.

DBJ increased the number of accredited AFIs to 22 with the approval of the following six institutions in 2015/16:

- First Heritage Co-operative Credit Union
- Palisadoes Co-operative Credit Union
- N.C.B. Employees Co-operative Credit Union
- Jamaica Defence Force Co-operative Credit Union
- NCB Capital Markets
- Victoria Mutual Wealth Management

During the year, the Bank intensified its engagement of its AFIs at all levels and all across the island. The engagement of AFIs continues to yield positive results with 110 loans valued at $4,320 million approved through AFIs compared to 110 loans totaling $4,557 million in 2014/15; with the majority of AFIs now having dedicated SME loan departments and products.

DBJ's Lending to Micro, Small and Medium-sized Enterprises

During the year, the Bank provided strong support to initiatives for increasing access to affordable credit for MSMEs resulting in MSME loans increasing by 42% over the previous year.

Initiatives undertaken during the year included the assignment of account executives to SME associations to understand and address their members' needs, while communicating the benefits of DBJ's products and facilitating interaction with AFIs. DBJ account executives travelled island-wide, meeting with MSMEs, generating loan leads and following through to conversion.

In 2015/16 DBJ facilitated the approval of 11,779 loans with a value of $6,065 million through its intermediaries for MSME sub-borrowers compared to 9,046 loans with a value of $4,259 million in 2014/15. Of this total, the vast majority – 11,668 loans totaling $1,104 million - were facilitated through the Micro Finance Institutions; 9 loans valued $134 million went through the National People's Co-operative Bank; 97 loans valued at $3,389 million were facilitated by Approved Financial Institutions; and 5 loans valued at $1.436 million were facilitated by Direct Clients to MSMEs.

SME Lending Window

During the year, DBJ's local currency facilitated lending to SMEs decreased by 34 per cent from $3,347 million to $2,192 million (including $175 million by CEF AFI funded loans). This follows a 101 per cent increase in 2015. It is expected that SME

MSME Loan Approvals 2015/16

Channel	# of Loans	Loan Approval in J$'M	%
NPCB	9	134.735	2.2%
AFI	97	3,389.490	55.9%
MFI	11,668	1,104.711	18.2%
Direct	5	1,436.513	23.7%
Total	**11,779**	**6,065.449**	**100.0%**

lending will increase with DBJ's continued engagement of AFIs and MSMEs, the increased appetite of existing AFIs for SME lending, expansion of DBJ's AFI network and the increased delivery of capacity building products and credit guarantees.

In this regard, SMEs were able to access 7 loans valued at $126 million through the National People's Co-operative Bank, and 85 (including 21 CEF AFI funded loans) loans valued at $2,039 million (including $175 million by CEF AFI funded loans) through Approved Financial Institutions.

This compares to 20 loans valued at $168 million through the National People's Co-operative Bank, and 64 loans valued at $1,149 million through AFIs to SMEs in 2014/15.

The DBJ's facilitated loans to the SME sector supported new investments of $3,323 million (including $217 million by CEF AFI funded loans) and 330 new jobs (including 62 jobs by CEF AFI funded loans), while maintaining 1,196 existing jobs (including 266 jobs by CEF AFI funded loans). This reflects a decrease in new investments of $5,191 million, 2,795 new jobs and 2,712 maintained in 2014/15.

In 2015/16, the DBJ's SME loans through the NPCB supported $146 million in new investments while creating 5 new jobs and maintaining 49, compared with $319 million in new investments while creating 34 new jobs and maintaining 162 in the last financial year. The Bank's SME loans, provided through AFIs, supported new investments of $3,418 million (including $217 million by CEF AFI funded loans), while creating 325 new jobs (including 62 jobs by CEF AFI funded loans) and maintaining 1,147 (including 266 jobs by CEF AFI funded loans) compared to prior year new investments of $2,080 million, while creating 244 new jobs and maintaining 2,550.

Hon. Phillip Paulwell (centre), Minister of Science, Technology, Energy and Mining, looks on as DBJ's Managing Director Milverton Reynolds (left) and Dr. Guna Muppuri (right), Chief Executive Officer of Bioprist, sign a Letter of Commitment under which the Bank will provide funding to the company to establish a call centre in western Jamaica. Also witnessing the January 28, 2016, event were Edison Galbraith (standing left), DBJ's General Manager of Loan Origination & Portfolio Management; JAMPRO President Diane Edwards; and Ron McKay, President of the American Chamber of Commerce in Jamaica.

National People's Co-operative Bank

The NPCB continues to be a significant distribution channel for ensuring access to financing for the growth of small and medium-sized farmers and enterprises in the wider rural economy.

During the year, the NPCB sought to reorganize its operations, and as a result, DBJ's lending through the NPCB further declined from 35 loans valued at $212 million to 9 approved loans valued at $134 million. The DBJ's loans supported $157 million in new investment and 5 potential new jobs.

DBJ's Lending to Small Farmers

The DBJ's lending for agriculture was significantly impacted by the prolonged drought that negatively impacted the livelihood of small farmers who continue to be vital players in the thrust towards national food security.

In this regard, 1,309 local currency loans were approved at a value of $510 million for this sector supporting investments of $906 million and 60 new jobs. This reflects a decrease from the 975 loans valued of $700 million in 2014/15.

Micro Finance Institutions continue to emerge as a significant channel for loans to the agriculture sector. Of the amount approved for lending to agriculture, 1,288 loans totaling $101 million were issued to small farmers through MFIs, compared with 939 loans totaling $73 million in the previous year.

In the period under review, the NPCB facilitated 9 loans to farmers with a value of $134 million down from 29 loans with a value of $182 million in 2014/15, and 77 loans valued at $302 million in 2013/14. AFIs accounted for 12 loans to SMEs in agriculture valued at $274 million down from a total of 7 loans valuing $444 million made by AFIs for agriculture during the year (including 2 loans valued $35 million by CEF AFI funded loans).

It is expected that DBJ's lending to small farmers will increase in 2016/17 with improved weather conditions, the continued expansion of agro-parks and individual holdings, as well as the expansion of DBJ's AFI network and the availability of capacity building and loan guarantees.

SME CREDIT ENHANCEMENT FACILITY

The Credit Enhancement Facility (CEF) was established with the objective to significantly increase the number of SMEs that access credit by providing AFIs with additional collateral coverage on loans made to SMEs. Constant developments to increase the attractiveness of the CEF to AFIs resulted in an increase in the coverage amount of guarantees and resulted in amendments to the facility to allow available guarantee coverage for both DBJ and AFI funded loans as follows:

- General SME loans - 50% of the loan up to a maximum of J$15 million
- SME Energy loans - 80% of the loan up to a maximum of J$15 million
- Small loans (J$6.25 million or less) 80% of the loan up to a maximum of J$5 million

During the year, the DBJ approved 56 guarantees valuing $282.3 million and supporting $539.2 million in loans through seven AFIs including 22 approved for loans funded by AFIs. This compares to 51 guarantees valuing $218.7 million and supporting $487.4 million in loans through eight AFIs in 2014/15.

Since inception, the CEF has facilitated the issue of $1.58 billion (including US$0.2 million) in loans to 251 SME sub-borrowers with guarantees totaling $774.8 million as outlined below.

CEF Loan Approvals & Guarantees Since Inception 2010 (by year)

YEAR END	Loan	Guarantee	#
Mar-10	30,000,000	8,320,000	4
Mar-11	10,800,000	3,956,000	3
Mar-12	34,700,000	10,750,000	3
Mar-13	254,969,378	166,797,000	108
Mar-14	225,994,000	83,957,150	26
Mar-15	487,378,123	218,662,568	51
Mar-16	539,201,456	282,331,343	56
TOTAL	**1,583,042,957**	**774,774,061**	**251**

The facility supported loans which impacted a number of sectors. The Agriculture sector received a total 139 of the 251 loan guarantees from the CEF and accounted for 27.2% of the total guaranteed amount issued. The Services sector accounted for 41.7% with 70 guarantees issued. Agro-processing accounted for 4.1%, Manufacturing 17.5% and Distribution 9.4%. To date, there have been only two claims against the CEF for $6.34 million and the fund has grown to over $431 million.

The DBJ continues to work on improving the facility, and continues to explore options to enhance its attractiveness to the AFIs.

RIO TINTO ALCAN LEGACY FUND FOR JAMAICA (RTALF) – LOAN GUARANTEE FUND PROGRAMME

Rio Tinto Alcan Inc., a Canadian company, has committed funds totaling US$1.8 million to establish a self-sustaining endowment fund to be called the 'Rio Tinto Alcan Legacy Fund' (RTALF) in order to promote rural development in St. Ann, St. Catherine and Manchester, the parishes in which Alcan had operated. This is in keeping with the Government of Jamaica's development strategy by targeting low-income households and increasing lending and providing training programmes to the agricultural sector.

The RTALF agreement provides for allocations of annual surpluses of income to be allocated to scholarships and loan guarantees in the proportions of 25% and 75% respectively. To date, the fund has realized an accumulated net increase of US$512,756.00 and net assets of US$2.32 million.

Since 2011, the RTALF has issued over 210 agricultural scholarships to secondary and tertiary students, valuing over US$102,000.00 and administered by the Jamaica 4H Clubs to recipients of the approved parishes. Additionally, in 2016/17 the Fund will provide loan guarantees for micro enterprises undertaking agriculture projects in the targeted parishes through the DBJ-accredited micro finance institutions.



Sanmera Paper Products Limited manufactures and distributes paper products that include bathroom tissue, hand towels and napkins under the brands Soft Dreams, Spring Soft, Sophie and Finesse. A DBJ loan was made to SPPL to purchase a multifunctional conveyor/diverter system allowing the company to maintain and create approximately 100 jobs.

DBJ's Lending for Energy Conservation

YEAR END	No. of Loans	Project Cost (J$)	Loan Approved (J$)
Mar-10	5	68,725,000	68,725,000
Mar-11	5	135,089,683	58,326,800
Mar-12	7	506,617,000	174,500,000
Mar-13	77	2,093,837,787	658,230,714
Mar-14	103	1,990,078,067	658,786,124
Mar-15	41	1,073,576,995	595,595,407
Mar-16	27	1,221,944,034	622,845,695
TOTAL	**265**	**7,089,868,566**	**2,837,009,740**

DBJ'S LENDING FOR ENERGY CONSERVATION, EFFICIENCY AND RENEWABLE ENERGY

During the year, the Bank continued to support the national efforts toward energy conservation, energy efficiency and the adoption of renewable energy solutions by providing and promoting financing for energy investments through its AFIs and MFIs.

DBJ loan financing for energy projects while focused on MSMEs is available to all businesses and is not restricted to those in the productive sector. The Bank also provides loans for training and conducting energy audits, as well as for suppliers of energy equipment.

During the period under review, 27 loans totaling $622.8 million were approved under the DBJ's Energy lines. In 2014/15, DBJ had made Energy loans to 41 projects totaling $595.6 million.

As outlined below, the DBJ has significantly increased its lending for energy since 2009 and has approved energy loans totaling $2,837.1 million to 265 projects.

DIRECT LENDING

DBJ-PetroCaribe ICT/ BPO Loan Facility

In November 2011, DBJ in conjunction with the PetroCaribe Development Fund, the Ministry of Industry Investment and Commerce and Jamaica Promotions Limited (JAMPRO) launched a line of credit to provide direct loans for the construction of Information Communication Technology/Business Processing Outsourcing facilities. The loan facility provides loans at 4.5% for 12 years to construct large facilities of a minimum 40,000 sq. ft. or 800 seats each.

Since inception, DBJ has approved 10 applications for US$46.0 million to create 671,550 sq. ft. of ICT space and over 15,600 jobs. In addition, DBJ also facilitated its first ICT/BPO construction loan through an AFI for US$10.34 million to create 100,000 sq. ft. of space and 3,000 jobs.

These facilities include:

- A 48,000 sq. ft.facility at the University of the West Indies, Mona, St. Andrew;
- Three facilities totaling 200,000 sq. ft. at Barnett Tech Park in Montego Bay, St. James;
- Two facilities totaling 147,800 sq. ft. at Montego Freeport, Montego Bay, St. James; and
- A 99,000 sq. ft. facility in Mandeville, Manchester;
- A 52,000 sq. ft. facility in Portmore, St. Catherine;
- A 58,000 sq. ft. project comprising three buildings in New Kingston, St. Andrew and Spanish Town, St. Catherine.
- Two facilities totaling 165,000 in Half-Way-Tree, St. Andrew

Of these, seven have buildings completed of which six have been leased to BPO operators with approximately 4,000 persons employed.

Micro Finance Services



Coffee Roasters of Jamaica Limited is involved in the manufacturing, packaging and marketing of Jamaican coffee locally and internationally. The company has benefited from both DBJ funding and guarantees under the Credit Enhancement Fund.

The coordination of all related interventions in the micro finance sector on behalf of the Government remains the responsibility of the DBJ. In April 2009, the DBJ received Government approval for its initiative to establish a micro finance lending window primarily to:

a. Provide wholesale funding to accredited Micro Finance Institutions (MFI)
b. Strengthen the institutional capacity of MFIs through the provision of technical assistance to strengthen governance
c. Increase transparency and information on the MFI sector through reporting and adherence to best practices

In December 2015, emanating from the need to further streamline its operations to achieve efficiency, the DBJ brought together three distinct, but connected areas under the Micro Finance Services Division (MFSD), namely, Micro Finance Institutions, National People's Co-operative Bank of Jamaica Limited (NPCB) and the Mobile Money for Microfinance–Financial Inclusion Project.

MICRO FINANCE INSTITUTIONS

The DBJ continues to actively promote the strengthening of the MFI sector through its continued interface with its accredited MFIs, as well as with small, fledgling companies seeking to increase their footprint in the sector. This has resulted in the growth of the Bank's support in size and scope to the sector. Currently, the DBJ provides loans to the sector through 13 accredited MFIs.

The rates of interest paid by micro and small enterprise borrowers remain above that which is ideally suited to drive productive endeavours but the DBJ will seek to influence a downward movement in rates, through increased operational efficiencies of its accredited MFIs along with the promotion of healthy competition among MFIs.

For the year ended March 31, 2016, the Division met all its major key performance indicators as outlined below.

REVIEW OF ACTIVITIES

Loan Approval and Disbursement Targets

The 2015/16 target for loan approvals was $1,100 million which represented an increase of 23% or $200 million over the 2014/2015 target of $900 million. Approvals of loans to accredited MFIs totaled $1,104 million, thereby exceeding the target by $4.71 million or 0.43%.

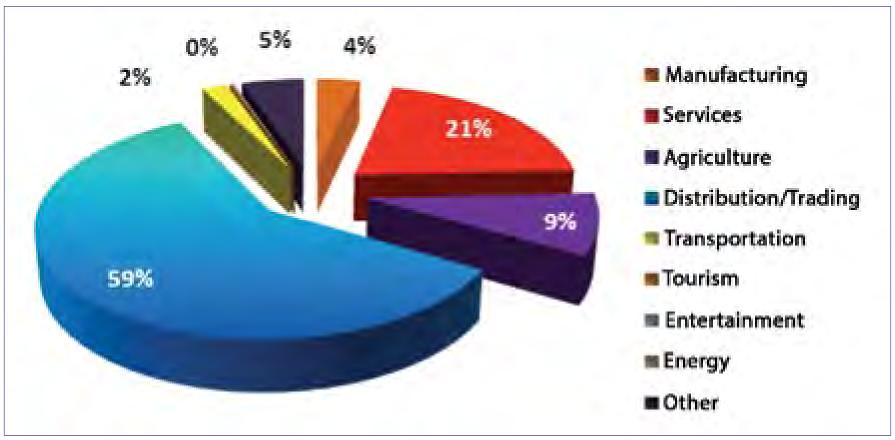
The disbursement target for the review period was $1,000 million or 90% of the loans target. Total disbursements amounted to J$1,048.6 million, which exceeded the year's target by $48.6 million or 4.86%.

The Distribution/Trading and Services sectors continue to dominate the demand for loans and accounted for 59% and 21%, respectively, of the total loans approved. The Distribution/Trade percentage was above the previous year's performance of 51%, while there was a decrease for Services, from 30%.

The continued importance and influence of agriculture on the country's micro entrepreneurs was demonstrated as the sector accounted for 9% of the loans approved; which was similar to the previous year's performance.

The table below outlines the distribution of loans across the applicable sectors:

MFI Approval Per Sector - April 2015 - March 2016



MFI Accreditation

Three new MFIs were accredited during 2015/16. They included:

- F.O.D. Finance Company Ltd
- Monaire Financial Services Ltd
- LASCO Financial Services Ltd

There was a merger of two MFI operations and the de-certification of one MFI during the year, reducing the number of accredited institutions from 12 to 10.

With the three new accreditations, the total number of accredited MFIs is now 13, as follows:

JN Small Business Loans Ltd.	Monaire Financial Services Ltd.
Micro Credit Ltd.	LASCO Financial Services Ltd.
First Heritage Co-operative Credit Union	F.O.D. Finance Co. Ltd
St. Elizabeth Co-operative Credit Union	First Union Financial Co.
Access Financial Services Ltd.	COK Sodality Co-operative Credit Union
Proactive Financial Services	Bull Investments Ltd.
McKayla Financial Services	

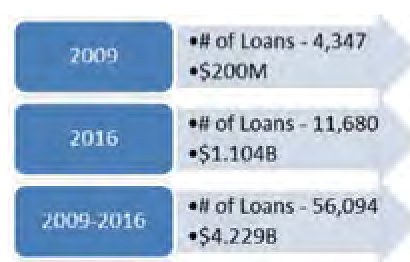
Funds are provided to MFIs on a revolving basis and the DBJ reviews the lines of credit available to individual MFIs on an annual basis. It is expected that the available funds for on-lending to the micro finance sector will increase, based on increases in individual MFI borrowing limits as well as through the accreditation of new MFIs.

Investments

During the period under review, the DBJ facilitated actual investment in the micro finance sector amounting to $1,883.7 million; being $772.3 million or 70% above the previous year's performance when the Bank for the first time, surpassed the $1-billion mark in this area.

Summary – 2009-2016

Since the inception of the MFI lending window in 2009, a total of 56,094 loans have been approved valued at $4,229 million. The Distribution/Trade sector continues to account for the major share of loan funds over the stated period and the DBJ will continue to influence the channeling of greater levels of funds into productive enterprises.



Since the inception of the MFI lending window in 2009...56,094 loans have been approved

Micro Loans, March 2009 - March 2016

Sector	No. of Loans	Approved	Disbursed	% Per Sector	
				Approved	Disbursed
Manufacturing	2,251	163,886,450.50	163,386,450.50	4%	4%
Service	13,244	1,143,746,095.13	1,143,096,095.13	27%	27%
Agriculture	6,354	453,060,689.54	453,010,689.54	11%	11%
Distribution/Trading	31,977	2,192,891,932.71	2,184,736,932.71	52%	52%
Transportation	654	72,955,840.93	72,955,840.93	2%	2%
Tourism	356	70,270,502.00	69,950,502.00	2%	2%
Entertainment	44	6,429,500.00	6,429,500.00	0%	0%
Energy	12	7,435,840.85	7,435,840.85	0%	0%
Other	1,202	117,944,583.35	117,944,583.35	3%	3%
Total	**56,094**	**4,228,621,435.01**	**4,218,946,435.01**	**100%**	**100%**

OTHER DIVISIONAL INITIATIVES IN 2015/16

I. Diversification of Funding

The DBJ was approved by the European Investment Bank (EIB) to access grant funding totaling EUR 200,000 to provide Technical Assistance (TA) to MFIs to improve their Know-Your-Customer and Anti-Money Laundering and Combatting the Financing of Terrorism (AML/CFT) practices, among other areas. This TA funding was approved on the understanding that it will be linked to the EIB's loan requirements for accessing loan funds.

The DBJ is currently in negotiations with the EIB to access funding under the EIB's Caribbean and Pacific Impact Finance Facility, extended to a group of financial institutions located in the Caribbean and Pacific countries, pursuant to the Partnership Agreement entered into on 23rd June 2000 between the African, Caribbean and Pacific Group of States (the **"ACP States"**) and the European Union and its member states.

Copy Creations and Technology is a full service document centre located in Kingston and providing photocopying, printing, graphic designing, document collation and other secretarial services. A DBJ loan provided working capital support and allowed the company to purchase new machinery, thereby expanding employment to 10.

The facility is to be made available to Micro Finance Institutions for on-lending to micro and small enterprises.

II. Micro Insurance

Micro insurance is the fastest growing micro finance product in the world. In Jamaica, the micro insurance market is in an emerging stage, given that there are few insurance products in the market that fit the characteristics of a micro insurance product. The current initiative to introduce micro insurance in Jamaica is being spearheaded by the Financial Services Commission through its Inclusive Insurance Committee, on which the DBJ actively participates.

The goal of the project is to increase the availability of sustainable insurance products tailored to the needs of the persons unable to afford the cost of traditional insurance products. The project's objective is to develop a policy and regulatory environment that enhances inclusive insurance markets in the Jamaica.

The DBJ continues to work closely with the FSC on the project.

III. Microcredit Act

The Micro Credit Bill has been drafted and the DBJ has provided its feedback on the document. Consultations continue; however, a timeline for finalization of the Bill and its accompanying regulations has not yet been established. The DBJ continues to work closely with the Ministry of Finance & Planning, which is piloting the Bill, and stands prepared to facilitate further consultation with the sector.

IV. National People's Co-operative Bank

The NPCB continues to be an important channel for the distribution of loan funds to the agricultural sector.

For the review period, the DBJ approved loans to the NPCB for on-lending totaling $134.7 million, which was 37% lower than the previous year's $212.1 million.

This reduction in loans to the NPCB resulted from DBJ's curtailment of lending to the institution because of challenges it experienced in respect of Corporate Governance and issues relating to its licensing as an agricultural loan society and provident society, under the Agricultural Credit Board Act and the Industrial and Provident Societies Act, respectively.

The NPCB is currently taking the necessary steps to improve its operations to ensure compliance and the DBJ continues to work closely with the NPCB's regulators, Interim Board of Directors and the Management of the institution as it strives to resolve its operational issues.

V. Promoting financial inclusion in Jamaica through Mobile Money for Microfinance

Financial inclusion objectives are primarily aimed at increasing the level of access, use and quality of financial services available to all individuals across every segment of the economy and promoting a shift towards increased participation in the formal banking system.

In September 2015, the DBJ, in partnership with two private sector partners Transcel Limited and National Commercial Bank of Jamaica Limited (NCB), concluded the development and testing of a mobile money platform for micro-entrepreneurs. Having achieved our objectives as a participant in the development of mobile money services, the Inter-American Development Bank granted its approval for an extension in the project implementation timeline to September 2018.

The scope of the project was modified in October 2015, in recognition of the challenges faced by potential providers and operators of mobile financial services (i.e. mobile money, mobile insurance, mobile credit) in Jamaica; as well as to ensure the continued alignment with the corporate objectives and mission of the DBJ.

The extension granted by the IDB will allow for the further transitioning of DBJ's role in advancing financial inclusion objectives.

Some of the expected results and impacts of the Financial Inclusion Project are as follows:

EXPECTED RESULTS

- A national growth strategy with Government-specific initiatives, and policy recommendations to guide the development of mobile financial services in Jamaica.
- Financial education and training of 500 micro-entrepreneurs, with case studies examining the progress of selected participants.

EXPECTED IMPACT

- Increased number of banked micro-entrepreneurs, and increased number of adults with credit from regulated institutions.
- Improvements in the financial habits and practices of programme beneficiaries.

DBJ AS A PARTICIPANT

- Determine the business requirements to support the design of a mobile money platform for micro-entrepreneurs.
- Engage in the testing and examing activities aimed at provision of mobile money services for micro-entrepreneurs
- Provide administrative and funding support in the completion of the systems development lifecycle.

DBJ AS A FACILITATOR

- Provide technical assistance for the development and growth of mobile financial services in Jamaica.
- Provide awareness raising and training to micro-entrepreneurs and other target groups through workshops and events.
- Provide research information to investors, MSMEs, Government institutions and other stakeholders.

The transitioning of the Financial Inclusion project is as pictured in the Modified Project Scope table below.

Strategic Services

The Strategic Services Division assists the development and growth of its external clients - micro, small and medium-sized enterprises (MSME) – and supports the execution of the Bank's business units (internal clients) through the provision of the following services:

- Capacity development to improve access to financing for the MSME sector
- Developing new products for the DBJ to deliver greater value
- Providing enterprise-wide research and analytics support to measure and monitor DBJ's impact
- Strengthening relationships with local and international development partners supporting MSME development
- Managing special SME development projects supported by International Development Partners
- Managing DBJ's strategic planning and execution

Osbourne Store, Clarendon, is the location of Jerome Cunningham's poultry farm where he has been growing broiler chickens for 11 years. With six poultry houses, he is recognized as one of the leading contract poultry farmers with Caribbean Broilers. A DBJ loan help him to expand his operations.

THE NEED FOR CAPACITY DEVELOPMENT

The gaps that exist in the MSME sector in the form of capital, material and knowledge deficiencies often lead to low management and operational capacity that affect the performance and growth of MSMEs.

The DBJ has developed or supported programmes that will address these gaps while helping to foster economic growth and social inclusiveness in Jamaica by facilitating the development of business incubators and accelerators, training, mentorship and conferences for capacity building among MSMEs.

DBJ'S CAPACITY DEVELOPMENT PROGRAMME

The Bank delivers this support to the MSME sector through technical assistance projects aimed at building the capacity of MSMEs to grow, invest and expand. To address the gaps identified, the DBJ provides capacity development support to firms and projects in priority areas such as:

- Improving MSMEs access to financing
- MSME access to global markets and supply chains development
- Fostering innovation and entrepreneurship; and
- Improving productivity through investments in renewable energy and energy efficiency

The DBJ utilizes a research-driven approach when developing capacity development programmes that are often influenced by needs indicated by the stakeholders within the MSME industry. These programmes are designed to address market gaps with the result being improved employment and business efficiency, ultimately contributing to the sustainable growth of the enterprises.

Support is also given to MSME development projects through a public Call for Projects. The project submitted must have the features of removing barriers to MSME financing, facilitating the increase in financing, investment, job creation and other measurable indicators, encourage the use of technology and strong management capabilities by external agencies which will be monitored by DBJ.

The Bank finances these MSME development projects from its own financial resources and utilizes a counterpart investment strategy that leverages its own funds with that from our local and international partners, to fund the capacity development programmes.

Capacity Development Impact in Financial Year 2015/16

- Over 780 MSMEs have benefitting from capacity development
- 101 new jobs were created
- 119 new businesses were supported or created
- 238 vouchers were vouchers for technical assistance, potentially unlocking loans of J$3.5 billion since, to SMEs who were actively seeking credit for their businesses.

CAPACITY DEVELOPMENT PROJECTS

Scotiabank Enterprise-wide Risk Management and Financing (SERMAF) Programme for Small and Medium-sized Enterprises

The DBJ entered into an agreement with the Bank of Nova Scotia Jamaica Ltd and the University of Technology to undertake a project to build a psychometric risk-rating model based on data collected from 3,000 small and medium-sized enterprises.

This project is also being implemented in conjunction with the Multilateral Investment Fund of the Inter-American Development Bank. The general objective of the overall project is to increase access to financing for SMEs in Jamaica, using an innovative risk-management and risk-rating model.

RESULTS OF SERMAF PROGRAMME

- Web platform **(http://www.qualityja.com/)** was built to facilitate MSMEs promoting their products and services.
- SME Web entrepreneurship Training session held for the MSMEs

External views of the building constructed by K&T Development Limited in Mandeville, Manchester. DBJ funding allowed the company to complete the 100,000 sq. ft. facility which has been leased to the ICT/BPO operator Sutherland Global.

- A total of 126 SMEs received Web training and at least 19 SMEs are marketing their business on the web platform at **http://www.qualityja.com/**
- 25 SMEs completed Group Business Coaching Programme

BEEP with SERMAF (YR2)

The Institute of Law and Economics (ILE) benefitted from a DBJ grant of $7 million for the implementation of the Business Entrepreneurship Empowerment Programme (BEEP) with Scotiabank Enterprise-Wide Risk Management & Financing (SERMAF) Programme for Small and Medium-sized Enterprises. This project trained over 400 MSMEs through workshops and capacity-building initiatives aimed at improving their business management skills. This project ended successfully in October 2015 resulting in approximately 37 businesses and companies registered; 39 jobs created; and over 40 individuals receiving HEART Entrepreneurship certifications.

Headley Allen's egg farm in Nightingale Grove, St. Catherine, involves the operation of 4,000 ready-to-lay pullets producing approximately 85,000 eggs per year. A DBJ loan assisted Mr. Allen to expand his farm.

The training programme included topics such as legal compliance, taxation, book-keeping & accounting, business planning and management, financial literacy, and computer literacy.

EXPORT MAX (II) – Enterprise Development for Export Growth Programme

DBJ continues to support the JAMPRO-implemented Export Max II Programme with a grant of $10 million. Export Max II is aimed at building the capacity of 20 existing export-ready firms to penetrate new export markets and to increase export sales.

Voucher for Technical Assistance

The Voucher for Technical Assistance (VTA) programme aims to contribute to sustainable growth of Jamaican MSMEs by issuing electronic vouchers for business support services MSMEs to help build their capacity and/or improve their access to financing and to contribute to the creation of more viable business operations.

The vouchers are redeemed at approved Business Development Organizations (BDOs) for a total of 27 business support services which include training, management consulting, financial software acquisition, business and marketing plans, product development services, business process improvement services, and financial statements.

MSMEs across Jamaica involved in agriculture and agro-processing, manufacturing, tourism, non-metallic mining, information technology, energy, service and other productive sectors are able to access the VTA.

Since May 2014 the programme has seen the following results:

- 295 vouchers issued to MSMEs
- 219 companies received vouchers
- 134 male-owned MSMEs received vouchers
- 85 female-owned MSMEs received vouchers
- 10 DBJ-funded loans approved, supporting $258.3M in investments
- 81 new businesses received vouchers
- 6 businesses were able to benefit from $157M in guarantees after receiving vouchers

Vouchers to MSMEs are located in 13 of 14 parishes providing 93% coverage islandwide.

SUPPORT FOR MSMES THROUGH DBJ'S ENERGY PROGRAMMES

Assessing the current energy needs of Businesses

The DBJ continues to execute a programme to provide entities

A total of 38 energy audits have been approved through the DBJ's energy grant programme this year.

with grant funding to analyse their energy usage and provide recommendations on how to reduce the overall cost of energy to the business. That is, to conduct an energy audit.

Energy audit reports have revealed that, on average, 40% of the energy costs can be reduced by making an investment in energy-efficiency practices. To achieve this, the programme provides a maximum of $200,000.00 to eligible businesses to conduct energy audits.

A total of 38 energy audits have been approved through the DBJ's energy grant programme this year.

The energy audits conducted have identified total investments of J$270M in energy efficiency and renewable energy projects which are expected to provide J$71M in savings to the businesses. Some of the technologies recommended include the installation of solar water heating and photovoltaics systems, efficient lighting and air-conditioning units, power factor correction and preventative maintenance programmes.

SUPPORTING INNOVATION & ENTREPRENEURSHIP

Innovation Grant from New Ideas to Entrepreneurship (IGNITE)

As a means of fostering growth in innovation by MSMEs, the DBJ launched the Innovation Grant for New Ideas to Entrepreneurship in October 2015 to provide a grant for innovative new businesses through existing MSME development organisations and incubator programmes.

A grant of up to $4 million (or 70% of a project's cost) will be provided for implementing innovation activities to support the growth of new firms in the productive sectors. The grants will be channelled through the following Business Service Intermediaries (BSIs):

- Branson Centre of Entrepreneurship
- Jamaica Business Development Corporation

Workers monitoring the drying of cocoa beans. The DBJ is currently managing the privatisation of the Cocoa Industry Board.

- Jamaica Manufacturers Association

These BSIs will be responsible to contribute to the presentation of proposals; channel the funds to the entrepreneurs; and assist DBJ in monitoring the objectives agreed with each beneficiary. It is expected that 30 MSMEs will be selected.

Applications for the grants were invited in the form of Expressions of Interest (EOI) advertisements in the daily newspapers. Approximately 200 EOIs were received by BSIs and 60 were shortlisted to complete the process. The applications were reviewed and further shortlisted to pitch their businesses to an evaluation panel. The top 30 applicants will receive grants based on the score received in the pitch sessions.

The tiers of funding will be as follows:

	Grant Amount	No. of Recipients	Total
Tier 1 (Top 10 applicants)	4,000,000	10	40,000,000
Tier 2	2,500,000	10	25,000,000
Tier 3	1,000,000	10	10,000,000
Total		**30**	**75,000,000**

Jamaica Venture Capital Programme

The establishment of a vibrant and sustainable venture capital industry in Jamaica is increasingly becoming a reality as a result of the achievements of the Jamaica Venture Capital Programme over the past year.

With a focus on facilitating economic growth, DBJ recognized the role which venture capital (VC) and private equity (PE) can play in the sustainability of young companies, as well as the increasing of prospects for growth of - and employment by - SMEs, all outcomes which have been experienced by VC & PE-backed companies in other countries.

As a result, during the year the JVCP continued to focus on the development of the local VC ecosystem. These efforts have been recognized by the Latin American Private Equity and Venture Capital Association (LAVCA), in its 2015 Scorecard where it stated, "Jamaica joins the Scorecard this year as a result of noteworthy efforts to develop the country's investment and entrepreneurial ecosystem."

The activities during Financial Year 2015/16 included:

I. Fund Investments

In 2015/16, DBJ earmarked US$3.75 million to be invested in three private equity and venture capital funds. To date, US$250K has been invested in Portland JSX Limited (PJX), and US$1.5 million committed to Caribbean Mezzanine Fund I Limited (CMFI). These commitments resulted from the due diligence process that commenced during the preceding financial year, and it is anticipated that a third fund will be operationalized during the Financial Year 2016/17.

DBJ's Managing Director Milverton Reynolds and Therese Turner Jones, Inter-American Development Bank Country Representative, sign the Second Technical Cooperation Agreement for the establishment of an entrepreneurial and early stage ecosystem in Jamaica. Looking on are Sheron Henry, DBJ's General Legal Counsel; Wayne Beecher, IDB Senior Specialist and Joseph Matalon, DBJ Chairman.

PJX is a local limited partner aggregation vehicle which was created primarily to invest as a limited partner in Portland Caribbean Fund II. The local vehicle raised $1.4 billion (US$12 million) via a private placement which closed on October 22, 2015. PJX shareholders include 25 pension plans brought to the table by six local institutional fund managers and will be listed on the Jamaica Stock Exchange during 2016/17. Portland's successful fund raising makes it the first private equity fund to raise capital from local institutional investors and to start operating in Jamaica, in recent years.

CMFI had its first close at the end of March 2016. The fund will have a subsequent close during 2016/17.

II. Angel Investor Networks

Angel investors play an important role in the VC ecosystem, and we are pleased that the two angel investor networks established by private sector investors, namely FirstAngelsJa and Alpha Angels, located in Kingston and Montego Bay, respectively, now have some 41 angels between them.

The support and training of these networks through InfoDev - a World Bank programme supporting entrepreneurs - continued during the year, and we are pleased to report that some five companies have received investments from these two groups.

III. Entrepreneurship Development

Critical to any venture capital industry is the deal flow, which is made up of investment-ready entrepreneurs and businesses with the right acumen and support services. The VC Unit continued to work closely with entities that share our vision and commitment to improve Jamaica's start-ups and entrepreneurs. These include:

1. Start-Up Jamaica

Start-Up Jamaica (SUJ) was conceived as part of the World Bank's US$20-million loan project, the Youth Employment in Digital and Animation Industries (YEDAI), which is being executed through the Ministry of Science & Technology. SUJ is at the centre of the technology and entrepreneurship component of YEDAI, and was established to develop as a world-class accelerator, to support the positioning of Jamaica as a hub for tech acceleration in the Caribbean. The overarching goal of the programme is to create

Joseph Matalon (fourth left) and Milverton Reynolds (right), DBJ Chairman and Managing Director, respectively, host a cocktail reception prior to the 2016 Venture Capital Conference in March. Guests included, from left to right, Paul Ahlstrom, Managing Director, Alta Ventures USA; Steven Whittingham, Managing Director, GK Capital Management; Diane Edwards, President, JAMPRO; Audrey Richards, Project Coordinator, JVCP; Dr. Wesley Hughes, Executive Director, PetroCaribe Development Fund; Nadienne Neita, Senior Manager, C&W Business.

global businesses originating in the Caribbean.

Since inception of the activities under the SUJ 'umbrella' in 2014, the DBJ has both sponsored and directly supported the management services at the SUJ.

During the year under review, the JVCP provided support to SUJ through the secondment of its Entrepreneurship Development Manager, for seven months, pending the recruitment of a CEO for the organization. Some 140 tech-savvy entrepreneurs have been exposed to training and/or incubation at SUJ, and activities are expected to increase significantly during the next financial year as a result of new initiatives, managerial and operational structures.

SUJ was established through collaboration between the public and private sectors, the latter including the Jamaica National Building Society Foundation, which provided free physical facilities and utilities and Cable & Wireless (now Flow Jamaica) which provided Internet and telecommunications support, furniture and equipment.

Subsequent to the financial year end, the incorporation and registration of Start-Up Jamaica Limited as a 'company limited by guarantee without a share capital' saw DBJ and JAMPRO being named as corporate directors of SUJ. The JVCP Project Coordinator is the DBJ's representative on the SUJ Board.

2. National Business Model Competition

The DBJ along with its partners - the IDB-MIF, the Private Sector Organisation of Jamaica and private sector companies including Pan Jamaican Investment Trust, National Commercial Bank, Scotiabank Jamaica, GK Capital Management and Jamaica National Building Society - continued to support the National Business Model Competition (NBMC) providing leadership, technical and financial support for more than 250 participating student entrepreneurs.

The NBMC is an initiative that encourages and promotes thought leaders, creative thinking and entrepreneurial spirit on the campuses of local universities. The participating universities in the 2016 competition were

DBJ's Managing Director Milverton Reynolds (third left) and JVCP Project Coordinator Audrey Richards (fourth left), in discussion with sponsors of the 2016 National Busines Model Competition BMC at the signing ceremony in January. From left are Belinda Williams, Group Corporate Communications Manager, National Commercial Bank; Jacqueline Robotham, Manager, SME, Jamaica National Building Society, UWI branch; Kaysia Johnson Vaughn, Manager, SME Promotions, Scotiabank Jamaica; and Steven Whittingham, Managing Director, GK Capital Management.

University of Technology, University of the West Indies, Northern Caribbean University and Edna Manley College of the Visual and Performing Arts. Now in its third year, the NBMC is well entrenched on the universities' calendars, and has impacted some 700 student entrepreneurs, facilitating training in the Lean Start-up methods of developing their business models and pitching their businesses to a panel of private sector judges.

The 2016 NBMC was held on March 31 and April 1 and, for the third consecutive year, Northern Caribbean University students walked away with the national title. This year's winner, Guardana Inc. with co-founders Princess Shakes and Natoy Allen, will represent Jamaica at the International Business Model Competition, in Seattle, Washington on April 30 to May 1, 2016.

To date, the competition has resulted in the creation of new businesses and employment by students and graduates of the universities. Herboo Enterprises, the 2014 NBMC winner, continued to grow and was named the Jamaica Observer's *Mogul in the Making* for 2015, and was also a recipient of the Scotiabank's 2015 *Vision Achievers*. Several finalists continue to 'fine tune' and work at growing their businesses, while others have embarked on new initiatives.

IV. Knowledge Development

The growth of a sustainable VC industry depends upon having a large cohort of knowledgeable market stakeholders. Activities during the year were targeted at specific stakeholder groups, exposing persons to the VC/PE asset class and to local and international best practices. These included:

1. Two 2-day **Executive Training Workshops** held over the period June 23–26, 2015, for 49 institutional and corporate investors, fund managers, policy makers, regulators and other market stakeholders. The training was delivered by UK-based training specialist, Garry Sharp of Ascentium Associates, with two local experts, Jeffrey Hall of JP Foods and Mariame McIntosh Robinson of Portland Private Equity, sharing their experiences.
2. A **Legal Training Workshop** held on October 31, 2015, at the Faculty of Law, University of the West Indies. Facilitated by Douglas Leys, Q.C., of the law firm LeySmith Lawyers, the workshop was a 'follow-on' for a previously held legal forum in February 2015.
   - Approximately 85 attorneys-at-law attended the one-day interactive workshop, which covered and explored the various documents, standardized agreements and templates that inform venture capital and private equity transactions.
   - One particularly important development of the workshop was that the General Legal Council (GLC), recognized the Legal Workshop by awarding three credits to all attending attorneys as part of its Continuing Legal Professional Development programme.
3. A half-day workshop on **Private Equity & Venture Capital for Pension Fund Trustees and Advisors,** was held on January 26, 2016, in collaboration with the Financial Services Commission. Some 153 persons were in attendance, including trustees of medium to large pension funds, pension fund managers and administrators
4. The 3rd Jamaica Venture Capital Conference was held, March 7–9, 2016, in Kingston, under the theme **The Power of Smart Capital...Expanding**

Mariame McIntosh Robinson, Senior Partner, Portland Private Equity, shares her experiences as an investor at the Legal Training Workshop in October 2015 at the University of the West Indies. Over 80 attorneys-at-law attended the interactive training workshop.

the Financial Landscape, Fuelling Innovation, Driving Entrepreneurship and attracted over 550 local and overseas participants, including policy makers, corporate and institutional investors, bankers, entrepreneurs and fund managers.

- Presentations were received from 40 local and international experts, with the conference headline presenter being Chinedu Echeruo, a Nigerian-born American, tech entrepreneur and founder of two highly successful US-based Internet companies - Tripology.com, sold to Rand McNally, and now owned by USA Today, and HopStop.com, a website and mobile app for mass-transit routing, used in 100 cities throughout the United States and Europe, which was sold to Apple.
- The Conference activities included a pre-conference workshop focusing on infrastructure financing through private equity, the main VC Conference Day, as well as a special Entrepreneurs' Workshop, dedicated to SMEs and student entrepreneurs.

LAVCA Scorecard

The ranking by Latin American Private Equity and Venture Capital Association (LAVCA), in its biannual Scorecard, benchmarked the venture capital environments in eleven (11) regional countries, against those of three (3) developed markets. Jamaica achieved a ranking of 9th place out of the 11 regional countries surveyed, placing it ahead of Argentina and the Dominican Republic. The work being undertaken through the JVCP will continue to address the gaps which persist in the VC ecosystem and which include, among other things, challenges in capital markets development, laws on fund formation, restrictions on institutional investors and the deficiencies in the entrepreneurial ecosystem.

Funding - 2nd Technical Cooperation Agreement

In March 2013, JVCP received a 24-month technical assistance grant, in the amount of US$150,000 from the IDB's Multilateral Investment Fund (IDB-MIF) to assist in the development of the venture capital ecosystem in Jamaica.

With the successful achievement of the agreed milestones, we are very pleased that over the three year period February 2016 to 2019, the IDB-MIF will again be supporting the work of the JVCP, for a second phase of the programme. On February 4 2016, the DBJ signed a second Technical Cooperation Agreement (TCA) with the IDB, valued at US$3.483 million, with the MIF funding US$1.1987 million and DBJ, US$2.2843 million.

The next phase of the JVCP will have a major focus on the entrepreneurial and early stage ecosystem, including commercialization of intellectual property and nurturing of start-ups through incubators and accelerators. Other deliverables will include:

- Continued stakeholder training and capacity building
- Promotion of equity financing, through new funds
- Knowledge management and communication
- Establishment of a Jamaica Venture Capital and Private Equity Association, to engage local and international stakeholders in the development of a sustainable industry.

As the JVCP seeks to build a globally relevant VC/PE industry in Jamaica, the Unit will also continue to build alliances with other organizations and share its experiences with regional and global stakeholders, while building networks with the Jamaican and Caribbean Diaspora.

> The next phase of the JVCP will... focus on the entrepreneurial and early stage ecosystem

Public-Private Partnerships & Privatisation (P4)

In Financial Year 2015/16, the P4 Division's activities, in particular its support and management of key transactions, mobilized substantial private sector investments; facilitated the disbursement of critical project development funding for transactions; and increased the awareness and capacity of targeted public sector officers in relation to PPP project execution.

While efficiently managing transactions to commercial and financial close was its primary objective, the Division was also able to generate adequate revenues to contribute to its sustainability and the Bank's profitability.

During the period under review, one major privatisation transaction - the Petroleum Company of Jamaica (PETCOM) - attained commercial close, and one PPP transaction - Kingston Container Terminal - achieved several financing milestones, nearing financial close. Significant progress was made on several other PPP and privatisation transactions.

The Division exceeded its 2015/16 investment targets by facilitating $13.4 billion of investments in the economy while moving key projects forward. Through its management of the Government's Project Preparation Facility, the Division facilitated the approval of US$990,000 and the disbursement of US$191,000 in project development funding for various transactions under development as well as technical assistance for investment support.

Dr. the Hon. Andrew Wheatley (fifth left), Minister of Energy, Science and Technology, exchanges signed copies of the agreement for the sale of the Petroleum Company of Jamaica (PETCOM) with Kristal Karjohn, Director of Phoenix Fuels & Accessories Limited, purchaser of the entity. Looking on are, from left, Milverton Reynolds, Managing Director of the Development Bank of Jamaica; Nerine Small, Senior Legal Counsel at the Petroleum Corporation of Jamaica (PCJ); Winston Watson, Group General Manager, PCJ; Russell Hadeed, Chairman of PCJ; Collin Karjohn, Managing Director of Phoenix Fuels & Accessories Limited; Hillary Alexander, Permanent Secretary in the Ministry of Energy, Science and Technology; Steven Whittingham, Managing Director of GK Capital Management Limited; and Douglas Robinson, Investment Banking Manager, GK Capital Management Limited.

COMPLETED TRANSACTIONS

Kingston Container Terminal PPP (KCT)

The Kingston Container Terminal PPP transaction, which achieved commercial close in April 2015 advanced closer to financial close in 2015/16 as the Concessionaire obtained significant multilateral funding approvals to finance its planned port expansion works programme.

In April 2015, the Government executed a long-term concession with Kingston Freeport Terminal Limited to finance, expand, operate and maintain KCT. During the year, the concessionaire focused on securing financing from its lenders. The Inter-American Development Bank approved financing in December 2015 in the amount of US$175 million and, as at financial year

...Cabinet approved...negotiated terms for the sale of PETCOM

end, the concessionaire was finalizing the additional financing. Financial close is expected in June 2016 with handover expected in 2016/17. The committed investment by the concessionaire of US$459 million for Phase 1 activities is expected to be implemented over four years.

Petroleum Company of Jamaica Limited (PETCOM)

In February 2016, Cabinet approved the final negotiated terms for the sale of PETCOM a wholly owned subsidiary of the Petroleum Corporation of Jamaica (PCJ).

During the year the DBJ, on behalf of the PCJ, completed the public tender process to divest 100% of the shares of PETCOM, including the real estate assets owned by the PCJ which are used in the operations of PETCOM. Three bids were received by the bid submission deadline and after evaluation a preferred bidder was selected and approved by Cabinet in November 2015.

After negotiations with the preferred bidder, led by a PETCOM Negotiating Team, Cabinet approved the final negotiated terms for the sale of PETCOM to Phoenix Fuels and Accessories Limited for US$19 million.

The sale agreements were finalized and executed in April 2016. Financial close and collection of the sale proceeds are expected by July 2016.

PRIVATISATION TRANSACTIONS IN PROGRESS

As at financial year end, several transactions were in progress. All of the following transactions are at advanced stages, with preferred bidders identified, some awaiting Cabinet approval and others in or about to commence negotiations:

- Sale and lease of Caymanas Track Limited
- Lease of approximately 1,610 acres of Montpelier lands for agricultural purposes
- Sale of 747 acres of Montpelier lands for residential purposes and 28 acres for commercial purposes
- Sale of GOJ's shareholding in KIW International Limited; and
- Sale of the commercial assets of the Cocoa Industry Board

Caymanas Track Limited (CTL)

In 2015/16, the DBJ, on behalf of the Ministry of Finance & the Public Service and the CTL Enterprise Team, undertook a public tender process to privatise the Caymanas Track Limited (CTL).

The DBJ received two proposals and a preferred bidder for CTL was selected and approved by Cabinet in March 2016. Negotiations with the preferred bidder, Supreme Ventures Limited, will commence in the first quarter of 2016/17. Finalization and execution of the agreements is anticipated to be achieved by the second quarter of the next financial year.

Montpelier Agricultural Lands (1,610 acres)

As at financial year end the DBJ is seeking Cabinet approval for a private party to lease approximately 1,610 acres of Montpelier lands for agricultural purposes. The lease is expected to be finalized in the first quarter of FY 2016/17.

Montpelier Residential and Commercial (747 acres residential and 28 acres commercial)

After a public tender process conducted in early 2015, a preferred bidder was selected to acquire 747 acres of Montpelier Block A for residential purposes and 28 acres of Block F for commercial purposes, subject to Cabinet approval. However, an Environmental Impact Assessment is required prior to Cabinet approval of the sale and the change of use. It is expected that the EIA activities will be completed in the third quarter of FY 2016/17, following which approvals will be sought for the sale of lands to the preferred bidder for the residential development.

Sale of GOJ's shareholding in KIW International Limited

The Government, through the Accountant General, owns 42.6% of the ordinary shares and 100% of the preference shares in KIW international Limited (KIW), a factory and warehouse facility. The DBJ, on behalf of the Accountant General, undertook the public tender process to divest the GOJ's shares in KIW in Financial Year 2015/16. As at the bid submission deadline date of 29 January 2016, two bids were received and a preferred bidder has been selected, subject to Cabinet approval. It is expected that approval of the preferred bidder and the sale will be received in the first quarter of 2016/17 and negotiations and conclusion of the sale by the second quarter of the financial year.

Sale of the commercial assets of the Cocoa Industry Board

During 2015, negotiations continued with the preferred bidder, Wallenford Limited, to acquire the commercial assets of the Cocoa Industry Board. Negotiations are expected to be completed in the first quarter of the 2016/17 Financial Year. The objective of this privatisation is to stimulate expansion of the cocoa industry, increasing cocoa under cultivation as well as production and exports.

PUBLIC-PRIVATE PARTNERSHIPS TRANSACTIONS IN PROGRESS

Norman Manley International Airport

In 2015/16, the Government issued the Request for Proposal (RfP) to the five prequalified firms for a long-term concession to operate, develop and expand the Norman Manley International Airport (NMIA). All the pre-qualified firms undertook their due diligence activities including site visits to support the preparation and submission of their bids. However, at the bid submission deadline of 30 December 2015, no bids were received. As at financial year end, the GOJ is currently reviewing the bidding process to determine the way forward for this transaction and a decision on same is expected by the first quarter of 2016/17.

> The DBJ is supporting the Maritime Authority of Jamaica (MAJ)

Jamaica Railway Corporation (JRC)

During 2015/16, the P4 Division continued to provide support to the Ministry of Transport and Mining and the JRC Enterprise Team (JRCET) in its ongoing discussions with Herzog International Inc., the potential investor which had indicated interest in rehabilitating and operating the railway. The DBJ completed the development of a Business Case to evaluate the feasibility of operating a segment of the rail as a tourism attraction under a PPP, assessed the company's proposals in conjunction with the JRCET and as at year-end finalized the preliminary discussions with the investor. Cabinet approval of the recommended privatisation modality will be sought by the first quarter of Financial Year 2016/17 to facilitate more detailed studies by the private firm.

PROJECTS UNDER ASSESSMENT FOR DEVELOPMENT AS PPPS

School Solar Project PV PPP

The National Education Trust in collaboration with the DBJ is exploring the option for a PPP arrangement for the provision of photovoltaic energy and energy efficiency solutions to 30 public schools. This pilot project, if successful, could be replicated islandwide by the 2017 Financial Year. In 2015/16, the Business Case was completed and approval was received from the Public Investment Management Committee of Cabinet (PIMC) for the project's further development and commencement of the Transaction Stage. The tender process is to be undertaken by November 2016.

As at financial year end, the procurement of the transaction advisor was underway. Once implemented this project is expected to mobilise US$5 million in investment and generate cost savings for the Government through lower electricity bills.

Jamaica Ship Registry PPP

The DBJ is supporting the Maritime Authority of Jamaica (MAJ) as it seeks private sector investment and expertise for the development and management of the Jamaica Ship Registry (JSR). During 2015/16, the pre-feasibility study for the project was completed with funding from the Government's Project Preparation Facility. The Business Case and recommended transaction structure are expected to be completed and the opportunity tendered in financial year 2016/17. The successful engagement

> The Government is currently assessing the feasibility of PPP arrangements for the financing and development of specific NWC projects.

of private sector capital and skills is expected to significantly expand the operation of the JSR which will be another key element in promoting Jamaica as a key global player in logistics.

Caymanas Special Economic Zone (CSEZ)

During 2015/16, the pre-feasibility assessment for this project was completed. It is expected that in the coming financial year the detailed feasibility study including technical and environmental studies will be undertaken to guide the Government in structuring an appropriate mechanism to invite private sector submissions to develop and implement the CSEZ. Feasibility consultants have been shortlisted and the procurement of the consultant should be completed by the third quarter of 2016/17. Funding for this consultant is being provided through the Government's Project Preparation Facility.

National Water Commission (NWC) Capital Investment Projects

The Government is currently assessing the feasibility of PPP arrangements for the financing and development of specific NWC projects. These include the expansion of Soapberry Wastewater Treatment Plant, the construction of the Rio Cobre Water Treatment Plant, the North Coast Water Supply Project and the establishment of Non- Revenue Water contracts island-wide.

A Project Team was established in February 2016 to assist with assessing and prioritizing the projects. The DBJ is working with the NWC to identify funding from multilateral agencies and the Project Preparation Facility for pre-feasibility studies for specific NWC projects. These projects will successfully provide crucial and consistent water supply to support domestic demand; significant tourism and logistics development projects, as well as improve the NWC's operating efficiency.

Bath Fountain Hotel & Spa and Milk River Spa PPP

A PPP arrangement is being pursued for the development and management of the Bath Fountain Hotel & Spa in St. Thomas and Milk River Spa facilities in Clarendon via a long-term concession. The Government is seeking private sector investment and innovation to undertake the required capital investments to transform the facilities into world-class operations. It is expected that feasibility studies will commence in the first quarter of 2016/17. A consultant has been procured through the Government Project Preparation Facility to complete the feasibility studies.

PROJECT PREPARATION FACILITY

Funding For Project Preparation

The DBJ identified the lack of funding as a key constraint to the timely development and packaging of privatisation and PPP opportunities for the private sector.

Under the US$50 million World Bank's Foundations for Competitiveness and Growth which became effective in September 2014, DBJ is leading Component 2 which is aimed at facilitating private sector investments. An amount of US$8.5 million has been allocated to finance studies through a *Project Preparation Facility (PPF)* to fund technical assistance to enable the Government to prepare and close strategic investment transactions with private sector participation.

The Division operationalized this component in 2015/16 including the engagement of a Project Coordinator. A PPF Management Board was established in 2015 by the Planning Institute of Jamaica. Four projects have been approved for funding so far from the Project Preparation Fund with the total amount of funds approved being US$990,000. Total disbursements as at year end 2015/16 amount to US$191,070.

Projects receiving assistance include the Bath and Milk River Spa, Caymanas Special Economic Zone, the Jamaica Ship Registry PPP, technical assistance support to the Attorney General's Chambers and a business plan for the development of creative industries for JAMPRO. It is expected that an additional three projects will be funded in 2016/17 by the PPF.

OTHER DEVELOPMENTS IN THE P4 PROGRAMME

Revision of the Privatisation and PPP Policies & Creation of PPP & Privatisation Manuals

In 2015/16, the Division held consultations with Ministries, Departments and Agencies on revisions to the GOJ's PPP & Privatisation Policies. The main objectives were to (a) improve process efficiency and (b) include the process for new modalities such as stock market listing, in the Privatisation Policy and integrate the newly-established Public Investment Management System (PIMS) in the PPP Policy.

It is anticipated that approval of the revised PPP and Privatisation Policies will be received by Cabinet in the first quarter of 2016/17.

In the meantime, draft manuals for the PPP & Privatisation Policies were prepared in 2015 by the IDB consultant and are to be finalized and published in 2016/17 by the DBJ.

General PPP Capacity Building within the GOJ

In the year under review, the DBJ continued its capacity building programme to strengthen the GOJ's ability to procure and implement PPPs. It is anticipated that in FY 2016/17 the DBJ will continue the capacity building programme for PPPs including continuation of the legal training workshops on concession agreements and consideration being given to hosting a PPP conference geared to sensitise the private sector on PPP project development process and on key project developments in the Government's Privatisation and PPP Programme.

The DBJ was one of the sponsors for the Jamaica Institute of Engineers Conference held in September 2015

Legal Workshops on Concession Agreements

The DBJ held legal training workshops with government attorneys including the Attorney General's Chambers in January and March 2016 focusing on understanding and standardizing clauses in PPP concession agreements.

Collaborating with the High Commission of Canada and the Jamaica Institute of Engineers

The DBJ was one of the sponsors for the Jamaica Institute of Engineers Conference held in September 2015 with a specific day being dedicated to discussing PPPs. Members of the DBJ and the Ministry of Finance & Planning's PPP Unit participated in a panel discussion on Public-Private Partnerships.

The Canadian High Commission, which co-sponsored the PPP day, funded the participation of several Canadian PPP experts at the JIE conference. The High Commission and the JIE also facilitated DBJ's hosting of a special session for GOJ PPP practitioners, on September 24, 2015. The Canadian PPP experts shared practical experiences and lessons learned in the Canadian PPP Programme.

Establishment of the Public Investment Management Secretariat

Under the GOJ's updated Fiscal Rules as outlined in the updated Financial Audit & Administration Act and Public Bodies Management Act, a Public Investment Management System (PIMS) has been established to provide a common framework for the preparation, appraisal, approval and management of public investments in Jamaica, irrespective of source of funding or procurement and implementation modalities.

The Public Investment Management Secretariat (PIMSec), which is housed at the Planning Institute of Jamaica (PIOJ), is the unit charged with the screening and appraisal of all public investment projects to facilitate a decision by the Public Investment Management Committee.

In 2015/16, the DBJ and PIMSec held consultations on the integration of the Public Investment Management System (PIMS) with the GOJ's PPP Policy. It is anticipated that the revised PPP Policy including these amendments on the PIMS integration will be finalized and approved by Cabinet in the first quarter of 2016/17.

Risk Management at the DBJ

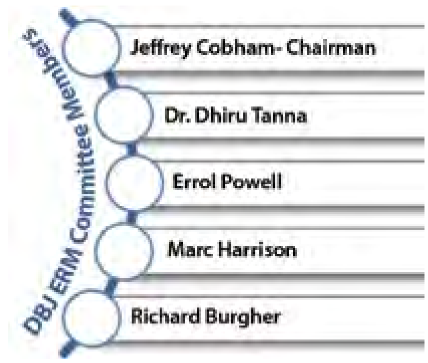
A sound ERM framework...addresses the integration of risk management in high level decision making...

Since implementation in 2012, Enterprise Risk Management (ERM) has been integral in the achievement of the Bank's mission and vision. By taking risks, the Bank becomes a catalyst for growth in the economy. DBJ realises that if risks are not properly managed, then the Bank could face unexpected and possibly severe financial distress.

A sound ERM framework therefore addresses the integration of risk management in high level decision making, as well as day-to-day business decisions and outlines the Board's role in effective oversight. Therefore, the Bank manages its risks on an enterprise-wide basis, ensuring on-going, continuous risk management which is embedded within the business cycle, starting with strategic planning, and carrying through to execution, monitoring and evaluation.

DBJ'S ERM FRAMEWORK

The DBJ's customized Integrated Enterprise Risk Management Framework influenced by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), the International Organization for Standardization - ISO 31000:2009 ERM frameworks and other established ERM frameworks; has facilitated a structured and disciplined approach towards managing risk. This structure is applied to all categories of risks across functional, structural and departmental silos including credit risk, market risk, liquidity risk, operational risk and reputational risk. The framework considers the following:



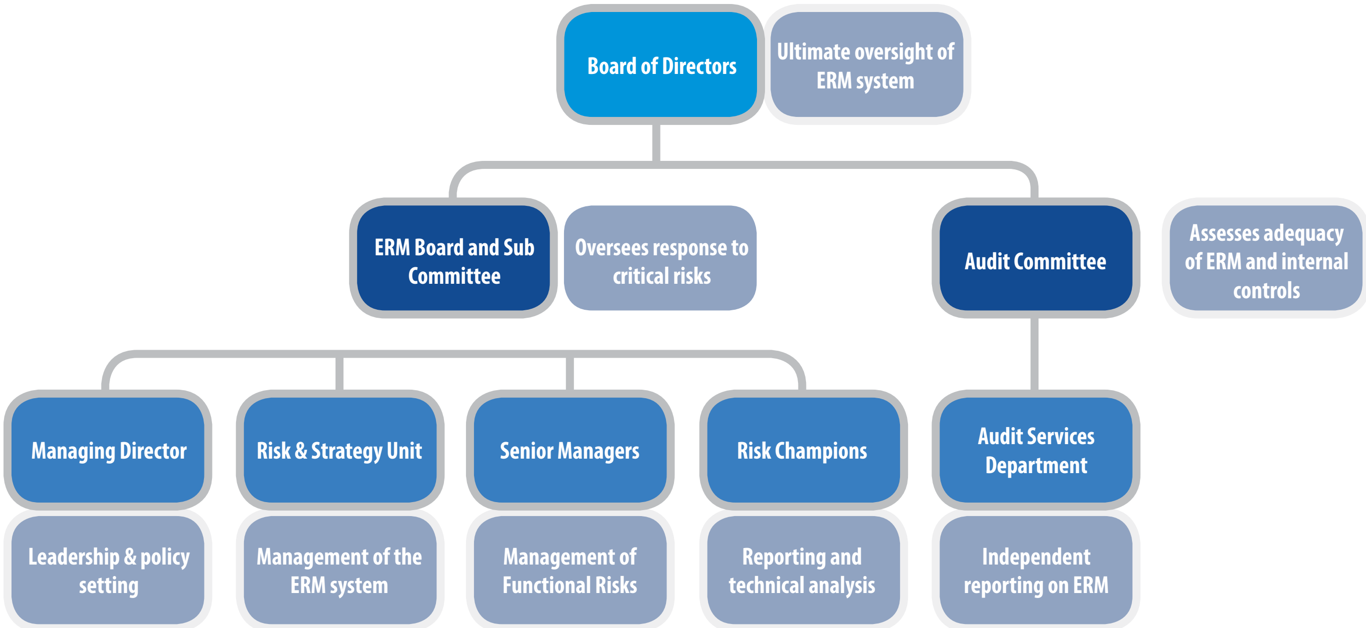
DBJ'S RISK APPETITE & TOLERANCE LEVELS

Risk Philosophy

We believe that our risk appetite is the cornerstone of our risk management framework. Our risk appetite establishes our risk culture and must be evident in both operational management "on the ground" and strategic decision making at a high level.

The DBJ operates in an environment of great uncertainty; however we believe that, as a development bank, certain risks are inevitable while some should be exploited to fulfil our mandate to facilitate economic growth, national development and an enabling business environment resulting in increased investments and job creation. However, we believe that the necessary systems, policies, procedures, analytical tools, human and technical resources must be in place to help us effectively manage those risks.

DBJ's Enterprise Risk Management Governance Structure



Managing Risk Appetite & Tolerance Levels

The DBJ has defined appetite levels as well as tolerance limits for each of its strategic objectives and major business activities. These levels and limits have been established by the Board ERM Committee and approved by the Board of Directors. Adherence to these levels and limits is assessed & reported on quarterly to the ERM Board Committee.

Credit Risk

Credit risk is the potential for loss to the organization arising from failure of borrowers to honour their contractual obligations to the Bank.

The DBJ is exposed to credit risk from direct lending as well as wholesale lending through intermediaries namely Approved Financial Institutions (AFIs) and Micro Finance Institutions (MFIs). The Bank employs prudent credit risk management tools and strategies to avoid, transfer and mitigate credit risk.

Management applies the appropriate risk models and management strategies, based on the lending modality which is used, in the approval of loans and the monitoring of its credit portfolio. Credit decisions are also made based on the Bank's risk appetite and tolerance levels as defined by its Board of Directors.

The DBJ is exposed to credit risk from direct lending as well as wholesale lending through...Approved Financial Institutions (AFIs) and Micro Finance Institutions (MFIs).

The Role of the ERM Board Committee

POLICY

Reviews risk policies and makes recommendations to the wider Board

DECISION MAKING

Makes decisions regarding critical risk treatment options

RISK TOLERANCE & APPETITE

Establishes and reviews Risk Tolerance Levels and makes recommendations regarding overall risk appetite to the Board

MANAGEMENT OF RISK

Assesses the management team's management of key business risks within the risk management policy and risk tolerance levels

APPROVAL

Reviews and approves high- level risk management reports

PROFESSIONAL DEVELOPMENT

Reviews recommendations for Board risk management professional development

The DBJ Ratings Re-Affirmed

The Caribbean Information and Credit Rating Services Limited (CariCRIS) re-affirmed the Development Bank of Jamaica's **"adequate creditworthiness"** ratings for the Financial Year ended March 31, 2016.

After receiving CariCRIS' ratings upgrade for period ending March 31, 2015, the Bank's Corporate Credit ratings of *Cari***BBB+** (Foreign Currency Rating) and *Cari***A-** (Local Currency Rating) on the regional rating scale and jmAA on the Jamaica national scale continues to have a stable outlook, indicating that the level of creditworthiness of this obligation, adjudged in relation to other obligations in the Caribbean remains **adequate**. The Jamaica national scale ratings indicate that the creditworthiness of local currency debt of DBJ, adjudged in relation to other local currency debt obligations in Jamaica is **high**. These ratings include a 2-notch uplift for implied support from the GOJ.

CariCRIS noted in its report that the ratings reflect DBJ's *"strategic importance to the Government of Jamaica (GOJ) as the lead development financier and manager of the GOJ's Privatization and PPP Programme for state assets in Jamaica"*, as well as the Bank's *"improving loan quality underpinned by relatively low credit risk and continued development of risk management tools."* The ratings are further supported by DBJ's *"good financial performance evidenced by moderate revenue growth and profitability albeit lower than the prior year, with strong capitalization metrics."* However, despite Jamaica's improved economic conditions, DBJ's high sovereign risk exposure to the Government of Jamaica has tempered the Bank's credit strengths.

In its rationale CariCRIS cited that DBJ's mandate as the sole development bank in Jamaica fosters economic growth and the development of strategic sectors of the economy, primarily by on-lending funds to Micro, Small and Medium-Sized Enterprises (MSMEs). The rating body also pointed to the Bank's low interest rate loans and credit enhancement facilities which provide strong incentives for financial intermediaries to access its funding. Consequently, DBJ's loan portfolio grew by an average of 8.4% per annum over the last 5 years bringing the portfolio to J$17.3 billion as at March 2016.

The Bank's management of the GOJ's Public-Private Partnership & Privatization (P4) programme and establishment of the ecosystem for venture capital through the Jamaican Venture Capital Programme (JVCP) have also been lauded by CariCRIS. During the financial year ended March 2016, the P4 programme contributed to the GOJ's capital revenue receipts through the sale of government assets and assisted in aligning the GOJ's fiscal performance with performance targets outlined under the IMF's Extended Fund Facility arrangement.

CariCRIS' report also highlighted that the DBJ's loan quality improved considerably. Non-performing loans (NPLs) to gross loans ratio decreased for the 3rd consecutive year to 3.7% from 8.1% in the previous year, which was even below the Jamaican commercial bank industry average of 4% as at March 2016. This improvement was attributed to a 53.6% reduction in NPLs stemming from recoveries and restructuring of a few loans. According to CariCRIS, the DBJ's Enterprise Risk Management practices are integrated into its strategic planning and business processes, encouraging a more structured and disciplined approach to managing risks. *"We believe that DBJ's overall risk management is strong and this could serve to minimize the impact of shocks to the Bank's capital in the short to medium term."*

CariCRIS is the Caribbean's regional credit rating agency aimed at fostering and supporting the development of regional debt markets. A CariCRIS credit rating is an objective assessment of an entity's creditworthiness relative to other debt issuing entities and provides a regionally relevant risk assessment of entities and the debt that they issue within a wider context of an analysis of economic trends and financial developments.

Analyzing and Managing Risks

WHAT WE DO	OWNER(S)	KEY TOOLS
Indentify and assess strategies to treat risk	ERM	Risk Control Self-Assessment
Analyze & monitor Stategic, Key Business and Operational Risks	ERM & Audit Services	DBJ's Securities Dealers Assessment Model, CAMEL & MFI Early Warning Systems, Stress testing, Scenario Analysis, Predictive Models
Review the Bank's key risks	ERM Committee	Quarterly Risk Reports : • Exposure value • Risks triggered • Risk Appetite & Tolerance levels outside limits

Approved Risk Management & Compliance Policies

In executing its day-to-day functions, the Risk & Compliance Unit is guided by several Board approved policies.

ENTERPRISE RISK MANAGEMENT FRAMEWORK & POLICY	Addresses the Board's role in effective oversight, the role of key personnel in the ERM process and the integration of risk management in high-level decision making as well as the day-to-day business decisions. The policy provides an understanding of how Enterprise Risk Management is applied, reported and monitored within the DBJ.
DBJ COMPLIANCE POLICY	Provides guidance as it relates to the on-going assessment and monitoring of compliance obligations which the Bank and its subsidiaries are required to meet, as well as the compliance obligations of relevant external parties to the DBJ.
ANTI-MONEY LAUNDERING/ANTI-TERRORISM FINANCING (AML/ATF) POLICY	Establishes the DBJ's AML/ATF framework, and guides the Bank in fulfilling its local and international legal obligations, reduces possible financial and reputational risks, fulfils objectives of good governance, transparency and integrity and upholds industry and international standards and best practices.

Market Risk

The DBJ is exposed to the risk that movements in specific market variables, including interest rates and foreign exchange rates, will have on income and/or portfolio value. Risk indicators are used to track the movement of market variables and are monitored by the Risk & Compliance Unit to trigger the appropriate management response.

These responses are guided by the Bank's policies and strategies and the appropriate market risk models are used to assess exposure and inform optimal responses. These indicators are reported to the ERM Committee on a quarterly basis.

Strategic, Operational and Reputational Risks

Strategic risks refers to the risk that the DBJ's execution of strategies and/or achievement of business objectives will be affected by internal and/or external events. The Bank's risk management structure was designed to integrate risk management with strategy management through the Strategic Services Division, which encompasses both the Risk & Compliance and Strategy units. Strategic risks are actively monitored and assessed with regular reporting to the ERM Committee and Board.

Operational risks emanate from the execution of business activities. Operational risks are identified, analyzed and monitored at the departmental level with quarterly assessment and reporting occurring at the Senior Management level. Operational risks that have a big impact on the bank have a relatively high likelihood of occurrence and are fairly imminent are escalated to the level of Key Business Risk (KBR), which is given special managerial and Board attention.

Reputational risks can emerge if DBJ:

- Fails to deliver satisfactory standards of service

Tritel Services, an ICT/BPO call centre based in Kingston; and several of its call centre agents. The DBJ provided funding to Tritel Services for the retrofitting of existing buildings and the construction of new ones.

Chocolate Dreams Ltd, based in Kingston, specializes in the manufacturing and distribution of premium quality chocolate and baked chocolate products. A DBJ loan provided working capital support, allowed the company to expand and increase employment.

- Fails to comply with legal, statuary laws and ethical standards
- Commits operational failures
- Fails to adhere to DBJ's policies, established practices and procedures and/or best practices
- Fails to meet stakeholder expectations on responsible behaviour; and/or
- Is unethical in its practices and beliefs.

The DBJ manages reputational risks through the establishment of major policies and documentation of key processes and procedures, ensuring the adherence of good governance principles throughout the organization's structure, and through reputational considerations in the identification, assessment and management of all risks.

The DBJ manages reputational risks through the establishment of major policies and documenta-tion of key processes and procedures...

RISK–BASED SCENARIO PLANNING

During the strategic planning process, the DBJ identifies several critical external driving forces with high levels of uncertainty that could significantly impact the organisation's strategy and its business sustainability. The Bank then applies risk management principles to mitigate, avoid, transfer, accept and/or capitalize on some of the risks faced as a result of external drivers/exogenous shocks.

DBJ's Critical Uncertainty Matrix

Corporate Governance

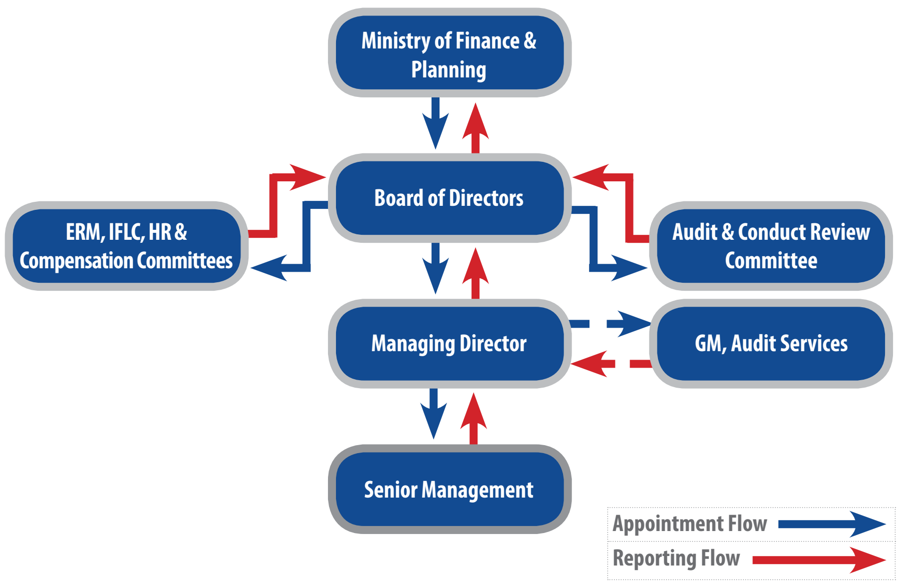
A DBJ loan to the Andrew Simpson farm in St Mary allowed the purchase of irrigation equipment and the construction of a packing and processing facility to prepare bananas and plantains for the market.

DBJ'S CORPORATE GOVERNANCE SYSTEM

The Government of Jamaica Corporate Governance Framework for Public Bodies in Jamaica (2012) indicates that good corporate governance comprises laws, regulations, voluntary codes, principles, guidelines, management practices and leadership styles that independently or collectively advance shareholders' wealth and stakeholders' welfare; which are necessary for survival of the Development Bank of Jamaica.

The DBJ's corporate governance systems is established on the core principles of fairness, performance and responsibility, accountability, disclosure and transparency, integrity and ethical behavior; as outlined in the Bank's 'Corporate Governance Charter'. The Board of Directors, Management and Staff recognize that good corporate governance comprises responsible, value-based management and monitoring, focused on long-term success.

DBJ Corporate Governance Structure



The Structure

The Bank's functions of accountability, transparency and efficiency are executed through and by The Board of Directors, Audit & Conduct Review Committee, Internal Audit, Enterprise Risk Management, senior management and staff who have all contributed to the company's success of maintaining a strong governance foundation embedded in internationally accepted standards that are locally guided by the:

- Government of Jamaica Corporate Governance Framework for Public Bodies
- The Public Bodies Management Accountability Act
- Financial Administrative & Audit Act; and
- Companies Act of Jamaica

Talent Diversity

The DBJ's Board of Directors expertise spans the public and private sectors and Directors' skill sets cover a wide range of areas.

Director	Public Sector (Pub)/ Private Sector (Pvt)	Area of Expertise							
		General Manage-ment	Finance / Devel-opment Finance / Economics	Audit	Strategic Manage-ment	Human Resources	Risk Man-agement	Market-ing & Communi-cation	Legal
Joseph Matalon	Pvt	✓	✓	✓	✓	✓	✓		
Richard Burgher	Pvt	✓	✓		✓		✓		
Jeffrey Cobham	Pvt	✓	✓		✓	✓	✓	✓	
Marc Harrison	Pvt	✓	✓	✓	✓		✓		✓
Dennis Morrison	Pub	✓	✓		✓		✓	✓	
Errol Powell	Pvt	✓	✓	✓	✓	✓	✓	✓	
Ann Marie Rhoden	Pub	✓	✓	✓	✓		✓		
Dhiru Tanna	Pvt	✓	✓		✓	✓	✓		
Maureen Webber	Pvt	✓	✓	✓	✓	✓	✓		
Milverton Reynolds	Pub	✓	✓	✓	✓	✓	✓		
Paul B. Scott	Pvt	✓	✓	✓	✓				
Donna Scott-Mottley	Pvt	✓			✓	✓			✓

The DBJ's Board of Directors are selected and appointed in accordance with the Financial Services Commission's (FSC) fit and proper standards and members have satisfactorily demonstrated:

- Contribution to nation building, business, institutions and professions
- Integrity, honesty and the ability to generate public confidence
- Sound and independent business judgment
- Financial literacy
- Knowledge and appreciation of public issues and familiarity with local, national and international affairs
- Knowledge of the business of the company; and
- Ability to dedicate adequate time to the Board and Committee work.

New Measures, Stronger Governance....DBJ supports key industries

Policy Name	Purpose Summary
Research Framework Policy (New)	The DBJ aims to achieve high quality evidence-based research aligned with its priority operational areas to provide better policy advice on the development challenges within the Jamaican economy. More effective and informed policies will aid the DBJ in directing its resources to those areas that will promote long-term growth and development. The policy sets out the framework within which all research at DBJ must be undertaken and applies to all persons employed by DBJ and to any person undertaking research involving DBJ's clients, staff and/or other resources. It is to be adhered to by both internal and externally contracted consultants and facilitates the decision-making process.
Product Development Policy (New)	It outlines the methodology to be used to execute the product development function of the Bank; and facilitate the decision-making process and identifies the roles, responsibilities, authorities and their inter-relationships in the product development process.

The DBJ's commitment to the MSME and Agricultural sectors is formidable. The Bank augmented its monitoring of governance and loan portfolio management for the NPCB; as well as examined activities impacting Jamaica's microfinance industry. This facilitated increased focus on these

A DBJ loan, through the National People's Co-operative Bank, allows St. Elizabeth-based farmer Kingsley Palmer to expand his vegetable farm using greenhouse technology.

industries, critical to the Bank's corporate objectives.

Additionally, the DBJ's proactive approach to promoting good governance, strong risk management and internal controls systems saw the DBJ Board approving critical policies.

AUDIT & CONDUCT REVIEW COMMITTEE (ACRC)

The Audit and Conduct Review Committee oversees the governance, risk management and internal control (GRC) systems of the DBJ. The ACRC also monitors the Bank's compliance with the various financial, legal and regulatory requirements governing its operations as it relates to financial disclosures. This Committee is charged with the responsibility of overseeing management's stewardship of the Bank's financial reporting and risk mitigation strategies. The composition and functions of the ACRC are based upon Section 8 of the Public Bodies Management and Accountability Act and the Financial Administrative and Audit Act. The Committee continues to execute its functions in accordance with its mandate which is contained within the DBJ Audit Committee Charter.

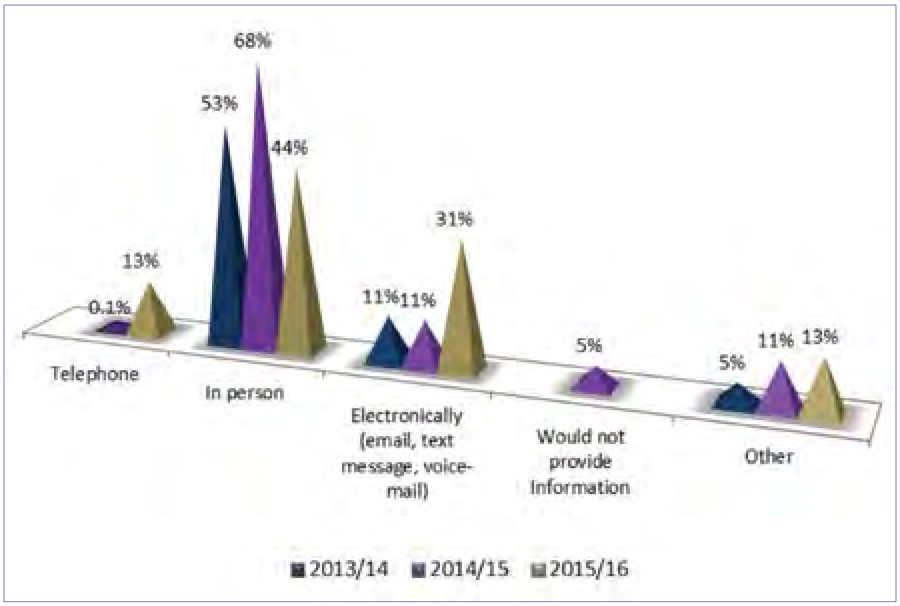
ACRC Major Activities during 2015/16

- Reviewed and approved the DBJ's Risk-based Annual Audit Plan which was designed to provide reasonable assurance to key stakeholders on the Bank's governance, risk management and internal controls.
- Compliance review relative to internal policies and procedures, relevant laws and regulations as well as the effectiveness of the Bank's control environment.
- Comprehensive review of the Special Audit of the National People's Co-operative Bank (NPCB) conducted in collaboration with the Agricultural Credit Board; providing recommendations to management and the Board to facilitate:
  - Strengthening of corporate governance systems
  - Improvements in the NPCB's lending activities, such as loan administration and monitoring
- Reviewed the Bank's audited Financial Statements
- Monitored management's response and action regarding audit recommendations

AUDIT SERVICES DEPARTMENT (INTERNAL AUDIT)

Internal Audit continues to provide independent, objective assurance and consulting activity designed to add value and improve the DBJ's operations. It supports the Bank's achievement of its corporate objectives by bringing a systematic, disciplined approach to evaluate

Preferred method to provide information



and improve the effectiveness of risk management, internal controls, and governance processes.

The Bank strengthened its corporate governance systems by making improvements in its internal audit function. In addition to having administrative and functional reporting lines through the Managing Director and Audit and Conduct Review Committee respectively; the DBJ has strengthened its Quality Assurance Improvement Programme (QAIP) and information technology (IT) audit capacity.

Quality Assurance Improvement Programme (QAIP)

The IIA's International Professional Practices Framework (IPPF) 1300 requires internal audit to implement a Quality Assurance and Improvement Program (QAIP), this facilitates an *"ongoing and periodic assessment of the entire spectrum of audit and consulting work performed by the internal audit activity."*

The 2015/16 results of the QAIP *Self-Assessment* showed the DBJ making significant improvements in the areas assessed:

Party Time provides catering services and is involved in the rental of chairs, tents, portable restrooms, bounce-abouts and other party equipment. A DBJ loan and guarantee assisted with the purchase of additional equipment and an increase in employment.

1. Greater level of understanding of internal audit's role
2. Application of Institute of Internal Auditors' Code of Ethics
3. Execution of audit activities
4. Reporting of fraud risk

DBJ's Transparency Outlook Remains Positive

When staff was asked *if they would ask internal audit for help in situation warranting internal audit's attention* 88% stated yes. A similar percentage (88%) of staff continues to show confidence in using more direct medium to communicate irregularities; all indicators of the Bank's strong corporate governance culture which remains robust.

Kidz in Paradise Nursery and Pre-School in Kingston provides nursery, pre-school and after-care services for approximately 100 children. A DBJ loan made through Access Financial Services, a DBJ-approved microfinance institution, allowed expansion of the facility.

Four sub-committees of the Board of Directors enable this body to effectively carry out its corporate governance functions. They are:

Sub-Committee	Primary Purpose
Audit & Conduct Review	1. Oversees the Bank's governance, risk management and internal control (GRC) systems, standards of integrity and behaviour 2. Review and approve the Bank's audited financial statements and the supporting notes, assumptions, and the auditors' report; 3. Monitor and review the effectiveness of the internal audit functions in relation to DBJ's compliance with laws and regulations, risk management functions and the reviews of internal controls; 4. Monitor the terms and conditions of the engagement of the external auditor to ensure independence, efficiency and effectiveness;
Investment, Finance & Loans	1. Recommends to the Board of Directors policies and changes to policies relating to investment, finance and loans; 2. Monitors the investment portfolio to identify and manage risks e.g. liquidity risks associated with exchange rates and interest rates that might affect the Bank's commitments; 3. Approves and or recommends investments and divestment of properties or companies under the Government of Jamaica divestment programme; 4. Approves loans to AFIs within loan limits set by the Board
Human Resource & Compensation	1. Ensures that the Bank has up-to-date policies and procedures which govern its employment practices and are in accordance with the guidelines of Ministry of Finance and Planning, and are in compliance with the Jamaica Labour Relations and Industrial Disputes Act, and other relevant acts, laws and regulations. 2. Recommends a remuneration policy to the Board, which is within the Government of Jamaica guidelines;
Enterprise Risk Management	1. Establishes and reviews risk tolerance levels and makes recommendations regarding the overall risk appetite of the DBJ to the Board of Directors 2. Assesses the management of key business risks within the risk management policy and risk tolerance levels;

ATTENDANCE FOR BOARD OF DIRECTORS' AND COMMITTEE MEETINGS

Board of Directors'

	Name of Director	Attendance (12 Meetings)
1.	Joseph M. Matalon - Chairman	11
2.	Richard Burgher	9
3.	Jeffrey Cobham	10
4.	Marc Harrison	8
5.	Dennis Morrison	9
6.	Paul B. Scott	10
7.	Donna Scott-Mottley	7
8.	Errol Powell	10
9.	Ann Marie Rhoden	8
10.	Dhiru Tanna	11
11.	Maureen Webber	7
12.	Milverton Reynolds	12

Investment, Finance & Loans Committee

	Name of Director	Attendance (5 Meetings)
1.	Joseph M. Matalon - Chairman	5
2.	Richard Burgher	2
3.	Jeffrey Cobham	5
4.	Dhiru Tanna	5
5.	Maureen Webber	3
6.	Milverton Reynolds	5

The DBJ's corporate governance systems is established on the core principles of fairness, performance and responsibility, accountability, disclosure and transparency, integrity and ethical behavior

Animators at work at Reel Rock GSW, a local animation company. DBJ funding allowed the company to expand its operations and provide additional employment.

Audit & Conduct Review Committee

	Name of Director	Attendance (5 Meetings)
1.	Errol Powell - Chairman	5
2.	Marc Harrison	3
3.	Ann Marie Rhoden	3
4.	Maureen Webber	4
5.	Milverton Reynolds (non-Committee member)	4

Enterprise Risk Management Committee

	Name of Director	Attendance (4 Meetings)
1.	Jeffrey Cobham - Chairman	4
2.	Richard Burgher	2
3.	Marc Harrison	4
4.	Errol Powell	4
5.	Dhiru Tanna	3
6.	Milverton Reynolds (non-Committee member)	4

Human Resources & Compensation Committee

	Name of Director	Attendance (2 Meetings)
1.	Maureen Webber - Chairperson	2
2.	Joseph M. Matalon	2
3.	Jeffrey Cobham	2
4.	Dhiru Tanna	2
5.	Milverton Reynolds	2

Directors' Gross Compensation

For year ended 31 March 2016

Members	Board Meeting	Committee Meeting
Chairman	176,000.00	59,500.00
Director number 1*	101,000.00	28,000.00
Director number 2	59,500.00	59,500.00
Director number 3	85,000.00	35,000.00
Director number 4	76,500.00	7,000.00
Director number 5	85,000.00	17,500.00
Director number 6	68,000.00	24,500.00
Director number 7	76,500.00	
Director number 8	68,000.00	10,500.00
Director number 9	59,500.00	
Director number 10	85,000.00	
	$940,000.00	$241,500.00

Notes

*Board fees used for charitable purposes

Princess Shakes (second left) and Natoy Allen (second right) co-founders of Guardana Inc, winner of the 2016 National Business Model Competition collect one of their prizes from Dennis Chung, Chief Executive Officer of the Private Sector Organisation of Jamaica, Milverton Reynolds, DBJ's Managing Director, and Audrey Richards, JVCP Project Coordinator.

Senior Executive Compensation

April 2015 – March 2016

Senior Executive	Salary	Dec 2015 Performance Incentive	Gratuity	Travelling Allowance or Value of Assigned Vehicle	Pension	Other Allowances (Clothing)	Total
Managing Director	11,909,763	916,969	2,977,441	120,000*	-	-	15,924,173
General Manager 1	2,956,898	-	739,225	918,752	-	70,000	4,684,875
General Manager 2	5,330,000	492,000	1,332,500	1,148,440	-	70,000	8,372,940
Act'g General Mgr 1	684,762	-		229,688	47,249	11,667	973,365
Act'g General Mgr 2	1,478,449	-	369,612	459,376	-	23,333	2,330,771
General Manager 3	6,396,000	492,000		1,378,128	441,324	70,000	8,777,452
General Manager 4	6,396,000	492,000		1,378,128	441,324	70,000	8,777,452
General Manager 5	4,762,123	366,317		1,378,128	328,586	70,000	6,905,154
General Manager 6	6,396,000	492,000		1,378,128	441,324	70,000	8,777,452
General Manager 7	6,069,225	466,863		1,378,128	418,777	70,000	8,402,993
General Manaager 8	5,088,898	342,522		1,378,128	351,134	70,000	7,230,682
General Manager 9	6,396,000	492,000		1,378,128	441,324	70,000	8,777,452

1. *Notional value for which taxes are paid on a fully maintained vehicle
2. Gratuity is paid to Officers who are not members of the Bank's Pension Scheme
3. General Managers 1 & 2 resigned in November 2015 and January 2016 respectively. Acting GMs were appointed.

(J$)

AUDITED FINANCIALS
2015-16

Independent Auditor's Report

To the Members of
Development Bank of Jamaica Limited

Report on the Financial Statements
We have audited the financial statements of Development Bank of Jamaica Limited, set out on pages 1 to 77, which comprise the statement of financial position as at 31 March 2016, and the 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 with the requirements of 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.

Auditor's 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 about whether 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 the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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.

PricewaterhouseCoopers, Scotiabank Centre, Duke Street, Box 372, Kingston, Jamaica
T: (876) 922 6230, F: (876) 922 7581, www.pwc.com/jm

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Development Bank of Jamaica Limited as at 31 March 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

Report on Other Legal and Regulatory Requirements

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 kept, so far as appears from our examination of those records, and the financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

PricewaterhouseCoopers

Chartered Accountants
17 June 2016
Kingston, Jamaica

Statement of Comprehensive Income

Year ended 31 March 2016

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2016 $'000	2015 $'000
Operating Income			
Interest income		1,294,909	1,255,514
Interest expense		(524,948)	(494,268)
Net interest income	5	769,961	761,246
Other income	6	376,772	1,086,998
		1,146,733	1,848,244
Operating Expenses			
Staff costs	7	(467,645)	(410,277)
Other operating expenses	8	(311,637)	(314,637)
		(779,282)	(724,914)
Operating Profit		367,451	1,123,330
Share of losses of associates	13	(40,687)	(45,700)
Profit from Credit Enhancement Facility Fund	16	28,733	30,561
Net Profit		355,497	1,108,191
Other comprehensive income, net of taxes			
Items that will never be reclassified to statement of comprehensive income			
Re-measurement of employee benefits asset	18	30,922	(29,682)
Items that are or may be classified to statement of comprehensive income			
Realised fair value gain on available-for-sale investment	25	(22,471)	209,930
Surplus on revaluation of property, plant and equipment	20	20,877	36,145
Total other comprehensive income		29,328	216,393
TOTAL COMPREHENSIVE INCOME		384,825	1,324,584

Statement of Financial Position

31 March 2016

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2016 $'000	2015 $'000
ASSETS			
Cash and cash equivalents	9	886,000	534,420
Reverse repurchase agreements	10	1,792,171	335,098
Investment securities	11	2,824,273	2,724,036
Investment properties	12	496,464	480,704
Investment in associates	13	1,011,198	940,617
Loans receivables, net of impairment allowance	14	17,317,812	16,729,207
Due from Government of Jamaica	15	725,864	712,991
Due from Credit Enhancement Facility Fund	16	428,242	394,862
Other receivables	17	163,020	151,393
Employee benefit asset	18	256,186	216,383
Intangible assets	19	2,234	4,887
Property, plant and equipment	20	803,099	790,911
Taxation recoverable		416,034	392,413
Total Assets		27,122,597	24,407,922
LIABILITIES			
Loans payables	21	16,804,900	14,294,461
Other	22	500,609	497,358
		17,305,509	14,791,819
SHAREHOLDERS' EQUITY			
Share capital	23	1,757,539	1,757,539
Share premium	23	98,856	98,856
Capital reserves	24	1,231,697	1,206,431
Other reserves	25	5,196,916	5,223,163
Retained earnings		1,532,080	1,330,114
		9,817,088	9,616,103
		27,122,597	24,407,922

Approved for issue by the Board of Directors on 13 June 2016 and signed on its behalf by:

Joseph Matalon Director

Milverton Reynolds Director

Statement of Changes in Equity

Year ended 31 March 2016

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital $'000	Share Premium $'000	Capital Reserves $'000	Other Reserves $'000	Retained Earnings $'000	Total $'000
Balances at 31 March 2014		1,757,539	98,856	1,206,517	5,102,757	302,564	8,468,233
Total comprehensive income for the year							
Profit for the year		-	-	-	-	1,108,191	1,108,191
Other comprehensive income							
Remeasurement of employee benefits obligation		-	-	-	(29,682)	-	(29,682)
Net change in fair value of available-for-sale securities	25	-	-	-	209,930	-	209,930
Surplus on revaluation of property plant and equipment	20	-	-	-	36,145	-	36,145
Total comprehensive income for the year		-	-	-	216,393	-	216,393
Total comprehensive income for the year		-	-	-	216,393	1,108,191	1,324,584
Transfers							
Amortisation of grants	24	-	-	(86)	-	-	(86)
Transfer from special reserves	25	-	-	-	(4,809)	-	(4,809)
Transfer of profit on CEF	25	-	-	-	30,561	(30,561)	-
Transfer to technical reserve	25	-	-	-	(121,739)	(12,650)	(134,389)
		-	-	(86)	(95,987)	(43,211)	(139,284)
Transactions with owners, recognised directly in equity							
Dividends	20	-	-	-	-	(37,430)	(37,430)
Balance at 31 March 2015		1,757,539	98,856	1,206,431	5,223,163	1,330,114	9,616,103

Statement of Changes in Equity (Cont'd)

Year ended 31 March 2016

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital $'000	Share Premium $'000	Capital Reserves $'000	Other Reserves $'000	Retained Earnings $'000	Total $'000
Balances at 31 March 2015		1,757,539	98,856	1,206,431	5,223,163	1,330,114	9,616,103
Total comprehensive income for the year							
Profit for the year		-	-	-	-	355,497	355,497
Other comprehensive income							
Remeasurement of employee benefits obligation		-	-	-	30,922	-	30,922
Net change in fair value of available-for-sale securities	25	-	-	-	(22,471)	-	(22,471)
Surplus on revaluation of property plant and equipment	20	-	-	-	20,877	-	20,877
Total comprehensive income for the year		-	-	-	29,328	-	29,328
Total comprehensive income for the year		-	-	-	29,328	355,497	384,825
Transfers							
Amortisation of grants	24	-	-	(776)	-	-	(776)
New grant	24	-	-	26,042	-	-	26,042
Transfer of profit on CEF	25	-	-	-	28,733	(28,733)	-
Transfer to technical reserve	25	-	-	-	(84,308)	(69,389)	(153,697)
		-	-	25,266	(55,575)	(98,122)	(128,431)
Transactions with owners, recognised directly in equity							
Dividends	26	-	-	-	-	(55,409)	(55,409)
Balance at 31 March 2016		1,757,539	98,856	1,231,697	5,196,916	1,532,080	9,817,088

Statement of Cash Flows

Year ended 31 March 2016

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2016 $'000	2015 $'000
Cash Flows from Operating Activities			
Profit for the year		355,497	1,108,191
Adjustments for:			
Amortisation		3,966	3,832
Depreciation	19	37,231	37,604
Interest income	20	(1,334,621)	(1,255,514)
Interest expense		524,948	494,268
Allowance for impairment losses		22,255	-
Foreign exchange gain		(3,363)	(132,726)
Discount on advance to associated companies	13	-	(18,590)
Interest discount	13	-	68,108
Change in employee benefits asset		(8,872)	12,615
Share of losses in associated companies	13	40,687	45,700
Gain on disposal of property and equipment		(1,100)	(693)
Surplus on revaluation of investment properties, net	12	(15,760)	(28,657)
Amortisation of grants		(776)	(86)
		(379,908)	308,822
Changes in operating assets and liabilities:			
Government of Jamaica – privatization recoverables		(2,945)	(13,140)
Loans to financial and agricultural institutions		(289,814)	(289,814)
Direct loans		671,885	126,943
Government of Jamaica infrastructural loan programmes		(388)	8
Due from Government of Jamaica		(76,506)	484,774
Income tax recoverable		(23,621)	(47,426)
Credit Enhancement Facility Fund		(33,380)	(25,811)
Other receivables		54,952	39,016
Other liabilities		(110,331)	(9,352)
		(190,056)	574,020
Interest received		1,482,358	1,267,706
Interest paid		(393,577)	(517,485)
Net cash provided by operating activities		898,725	1,324,257

Statement of Cash Flows

Year ended 31 March 2016

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2016 $'000	2015 $'000
Cash Flows from Investing Activities			
Resale agreements		(1,475,516)	387,496
Investment securities, net		102,773	(97,486)
Interest in associates companies		(133,523)	(110,917)
Purchase of intangible assets	19	(1,313)	(3,043)
Purchase of property, plant and equipment	20	(26,397)	(26,963)
Proceeds from disposals of property, plant and equipment		1,176	1,430
Loans to financial and agricultural institutions		(287,893)	(1,107,627)
Direct borrowers		(409,586)	305,086
Additions to investments	12	-	(3,814)
Net cash used in investing activities		(2,230,279)	(655,838)
Cash Flows from Financing Activities			
Loans received		3,472,723	1,224,518
Grant received		26,042	-
Loans repaid		(1,807,838)	(1,836,963)
Dividends paid	26	(55,409)	(37,430)
Net cash provided by/(used by) financing activities		1,635,488	(649,875)
Net increase in cash and cash equivalents		303,924	18,544
Effect of exchange rate fluctuations on cash and cash equivalents		47,646	25,518
Cash and cash equivalents at beginning of year		534,420	490,358
Cash and cash equivalents at the year end		886,000	534,420

Notes to the Financial Statements

31 March 2016

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities

Development Bank of Jamaica Limited ("the Bank") was established on April 1, 2000, when the operations and certain assets and liabilities of National Development Bank of Jamaica Limited ("NDB"), a Bank incorporated in Jamaica, were merged with those of the Agricultural Credit Bank of Jamaica Limited ("ACB"), also incorporated in Jamaica. Thereafter, the name of ACB was changed to Development Bank of Jamaica Limited. The Bank is domiciled in Jamaica and its registered office is located at 11A-15 Oxford Road, Kingston 5, Jamaica.

With effect from September 1, 2006, the Bank, under the terms of Cabinet decision # 26/06, dated July 24, 2006, took over the operations and certain assets and liabilities of National Investment Bank of Jamaica Limited ("NIBJ"). This resulted in the Bank acquiring net identifiable assets, amounting to $1,727,539,000. On July 24, 2009, the Bank issued shares to the Accountant General, in trust for the Capital Development Fund, as compensation for this amount. Certain non-performing assets were retained by NIBJ, which continues to operate for the purpose of pursuing the recovery of those assets.

The Bank's mission is to facilitate economic growth and development by providing opportunities to all Jamaicans to improve their quality of life through development financing, capacity building, public private partnership and privatization solutions in keeping with Government policy.

The Bank has interests in certain associated companies (Note 13) all of which are incorporated and domiciled in Jamaica. The ones currently in operation are as follows:

		Percentage Holding by	
Name of Investee	**Principal Activities**	**Bank**	**Other**
Harmonisation Limited and its	Property development	50%	
(i) 100% subsidiary:			
Silver Sands Estate Limited	Rental of resort accommodation		100%
(ii) 49% associated Bank:			
Harmony Cove Limited	Property development		49%

The other 50% of Harmonisation Limited ("Harmonisation") is owned by the National Housing Trust, a statutory body.

1. Identification and Principal Activities (Continued)

Harmonisation entered into a Joint Venture Agreement and a Members' Agreement with Tavistock Group Inc. to develop lands owned by Harmonisation in Trelawny, Jamaica. The development will be done through Harmony Cove Limited ("Harmony"), of whose ordinary share capital Tavistock Group Inc. owns 51%, with Harmonisation owning the remaining 49%. The lands owned by Harmonisation were valued at US$45,000,000 for the purpose of their transfer to Harmony under the Joint Venture Agreement, dated September 28, 2006.

The joint venture agreement with Tavistock Group Inc. was amended on February 3, 2009 to reflect contribution by Harmonisation, through its subsidiary, Silver Sands Estate Limited, of additional parcels of lands. In consideration of the transfer of these additional lands, Harmonisation shall be deemed to have subscribed for cumulative preference shares to be issued by Tavistock Group Inc. in the amount of US$6,662,460.

2. Significant Accounting Policies

(a) Basis of preparation

These financial statements have been prepared in accordance with, and comply with, International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale investment securities, investment securities at fair value through profit or loss, derivative contracts and investment property.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed in Note 4.

Standards, interpretations and amendments to existing standards effective during the current year

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Bank has assessed the relevance of all such new interpretations and amendments, and has adopted the following, which are relevant to its operations:

IAS 19 (Amendment) – 'Defined Benefit Plans: Employee Contributions', (effective for annual periods beginning 1 July 2014). The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service. There was no significant impact from adoption of this amendment during the year.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to existing standards effective during the current year (continued)

Annual Improvements 2012, (effective for annual periods beginning on or after 1 July 2014, unless otherwise stated below). The improvements comprise changes to a number of standards, the following of which are relevant to the Bank's operations. IFRS 3 was amended to clarify that (1) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (2) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014. IFRS 8 was amended to require (1) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (2) a reconciliation of segment assets to the entity's assets when segment assets are reported. The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial. IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided. There was no significant impact from adoption of these amendments during the year.

Annual Improvements 2013, (effective for annual periods beginning on or after 1 July 2014). The improvements consist of changes to a number of standards, of which the following are relevant to the Bank's operations. IFRS 13 was amended to clarify that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a Bank of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9. IAS 40 was amended to clarify the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property. There was no significant impact from adoption of these amendments during the year.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Bank

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which are not effective at the date of the statement of financial position, and which the Bank has not early adopted. The Bank has assessed the relevance of all such new standards, interpretations and amendments, has determined that the following may be relevant to its operations, and has concluded as follows:

Notes to the Financial Statements

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

IFRS 9, 'Financial Instruments', (effective for annual periods beginning on or after 1 January 2018). In July 2014, the IASB issued IFRS 9 which is the comprehensive standard to replace *IAS 39 'Financial Instruments: Recognition and Measurement'*, and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).

Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect the asset's cash flows, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

2. Significant Accounting Policies (Continued)

(a) **Basis of preparation (continued)**

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Bank (continued)

IFRS 9, 'Financial Instruments' (continued)
IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

The Bank is still assessing the potential impact of adoption and whether it should consider early adoption but it is not possible at this stage to quantify the potential effect. The Bank expects the following impacts following adoption of the standard.

The Bank expects that, in many instances, the classification and measurement outcomes will be similar to IAS 39, although differences may arise, for example, since IFRS 9 does not apply embedded derivative accounting to financial assets. The combined effect of the application of the business model and the contractual cash flow characteristics tests may result in some differences in population of financial assets measured at amortised cost or fair value compared with IAS 39.

Regarding credit loss provisioning, the Bank expects that, as a result of the recognition and measurement of impairment under IFRS 9 being more forward-looking than under IAS 39, the resulting impairment charge may tend to be more volatile. It may also tend to result in an increase in the total level of impairment allowances, since all financial assets will be assessed for at least 12-month ECL and the population of financial assets to which lifetime ECL applies is likely to be larger than the population for which there is objective evidence of impairment in accordance with IAS 39.

Amendments to IAS 16, 'Property, Plant and Equipment' and IAS 38, 'Intangible Assets' - Clarification of Acceptable Methods of Depreciation and Amortisation, (effective for the periods beginning on or after 1 January 2016). In these amendments, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The Bank does not expect any impact from the adoption of the amendments on its financial statements as it does not use revenue-based depreciation or amortisation methods.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Bank (continued)

IFRS 15, 'Revenue from Contracts with Customers', (effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Bank is currently assessing the impact of future adoption of the new standard on its financial statements.

Amendments to IAS 27, 'Associates', (effective for annual periods beginning 1 January 2016). The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Bank is currently assessing whether to use the equity method in the separate financial statements of the Bank.

Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, (effective for annual periods beginning on or after 1 January 2016). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The Bank is currently assessing the impact of future adoption of the amendments on its financial statements.

Annual Improvements 2014, (effective for annual periods beginning on or after 1 January 2016). The amendments impact the following standards. IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from "held for sale" to "held for distribution" or vice versa) does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34. The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise. IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report". The Bank is currently assessing the impact of future adoption of the amendments on its financial statements.

2. **Significant Accounting Policies (Continued)**

(a) Basis of preparation (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Bank (continued)

Amendment to IAS 1, 'Presentation of Financial Statements', (effective for annual periods beginning on or after 1 January 2016). This amendment forms part of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. It clarifies guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendment also clarifies that the share of other comprehensive income (OCI) of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, classified between those items that will or will not be subsequently reclassified to profit or loss. The Bank is currently assessing the impact of future adoption of the amendments on its financial statements.

IFRS 16 'Leases', (effective for annual periods beginning on or after 1 January 2019). This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(b) Basis of consolidation

Associates

Associates are all entities over which the Bank has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

The Bank's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Bank's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Bank does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains on transactions between the Bank and its associates are eliminated to the extent of the Bank's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The Bank determines at each reporting date whether there is any objective evidence that investments in associates are impaired. If this is the case, the Bank recognises an impairment charge in the income statement for the difference between the recoverable amount of the associate and its carrying value. Investments in associates are accounted for using the equity method of accounting, and are initially recognised at cost.

2. Significant Accounting Policies (Continued)

(c) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Bank's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Jamaican dollars, which is the Bank's functional currency.

Transactions and balances

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions. At the date of the statement of financial position, 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 the income statement.

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 the income statement (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 the income statement, and other changes in the carrying amount, except impairment, are recognised in other comprehensive income.

(d) Revenue recognition

Interest income and expense

Interest income and expense are recognised in the income statement for all interest-bearing instruments on an accrual basis using the effective interest method based on the actual purchase price. Interest income includes coupons earned on fixed income investments and accrued discount on treasury bills and other discounted instruments.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering the contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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2. Significant Accounting Policies (Continued)

(d) Revenue recognition (continued)

Interest income and expense

The Bank accounts for interest income on loans in accordance with Jamaican banking regulations. These regulations stipulate that, where collection of interest is considered doubtful or where the loan is in non-performing status (payment of principal or interest is outstanding for 90 days or more), interest should be taken into account on the cash basis and all previously accrued but uncollected interest be reversed in the period that collection is doubtful or the loan becomes non-performing. IFRS require that when loans are impaired, they are written down to their recoverable amounts and interest income is thereafter recognised by applying the original effective interest rate to the recoverable amount. The difference between the regulatory and IFRS bases of interest recognition was assessed to be immaterial.

Fee and commission income

Fee and commission income is recognised on the accrual basis. Loan origination fees for loans which are likely to be drawn down are deferred, together with related direct costs, and recognised as an adjustment to the effective yield on the loan. 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.

Dividend income

Dividend income is recognised when the right to receive payment is established.

(e) Income taxes

The Bank is exempt from income tax under Section 12(b) of the Income Tax Act.

(f) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including investment securities and fixed term deposits.

(g) Repurchase and reverse repurchase transactions

Securities sold under agreements to repurchase (repurchase agreements) and securities purchased under agreements to resell (reverse repurchase agreements) are treated as collateralised financing transactions. The difference between the sale/purchase and repurchase/resale price is treated as interest and accrued over the life of the agreements using the effective yield method.

2. Significant Accounting Policies (Continued)

(h) Loans and advances and provisions for credit losses

Loans and advances are recognised when cash is advanced to borrowers. They are initially recorded at fair value and subsequently measured at amortised cost using the effective interest rate method.

Provision for credit losses determined under the requirements of IFRS

The Bank continuously monitors loans or Banks of loans for indicators of impairment. In the event that indicators are present, the loans or Banks of loans are tested for impairment. A provision for credit losses is established if there is objective evidence of impairment. A loan or Bank of loans is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan (a 'loss event') and that loss event has reduced the estimated future cash flows of the loan and the amount of the reduction can be reliably estimated. The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

(i) significant financial difficulty of the obligor;

(ii) default or delinquency in interest or principal payments;

(iii) having to grant the borrower a concession that would not otherwise be considered due to the borrower's financial difficulty;

(iv) the probability that the borrower will enter bankruptcy or other financial reorganisation; or

(v) observable data indicating that there is a measurable decrease in the estimated future cash flows from the loan portfolio since the initial recognition of the loans, although the decrease cannot yet be identified with the individual loan in the portfolio, including:

   a) adverse changes in the payment status of borrowers in the portfolio; and

   b) national or local economic conditions that correlate with defaults on the loan portfolio.

2. Significant Accounting Policies (Continued)

(h) Loans and advances and provisions for credit losses (continued)

The Bank first assesses whether objective evidence of impairment exists individually for loans that are individually significant, and individually or collectively for loans that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed loan, whether significant or not, it includes the loan in a Bank of loans with similar credit risk characteristics and collectively assesses them for impairment. Loans that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the carrying amount of the loan and the present value of estimated future cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loan. For accounting purposes, the carrying amount of the loan is reduced through the use of a provision for credit losses account and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

For the purposes of a collective evaluation of impairment, loans are Banked on the basis of similar credit risk characteristics (that is, on the basis of the Bank's grading process that considers loan type, industry, collateral type and past-due status). Those characteristics are relevant to the estimation of future cash flows for Banks of such loans by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the loans being evaluated.

Future cash flows in a Bank of loans that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the loans in the Bank. Losses over the preceding 12 months are used as a baseline to determine historical loss experience for loans with credit risk characteristics similar to those in the Bank. This historical loss experience is then adjusted, if necessary, to reflect broader economic trends over the most recent 24-month period with a 36-month look back period used on the highest risk portfolios. Finally, applicable adjustments are made on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for Banks of loans should reflect and be directionally consistent with changes in related observable data and our assessment of changes in the economy from period to period (for example, changes in unemployment levels, property and motor vehicle prices, or other factors indicative of changes in the probability of losses in the Bank and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

When a loan is deemed uncollectible, it is written off against the related provision for credit losses. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the provision for credit losses. The amount of the reversal is recognised in the income statement.

2. Significant Accounting Policies (Continued)

(h) Loans and advances and provisions for credit losses (continued)

Provision for credit losses determined under the Bank of Jamaica regulatory requirements

The effect of the provision for credit losses determined under the Bank of Jamaica regulatory requirements is to reserve capital. No amounts are booked to the income statement in respect of regulatory provisions. Provisions calculated based on regulatory requirements that exceed the amounts required under IFRS are transferred from retained earnings to a non-distributable loan loss reserve in stockholders' equity.

The specific provision is established for the estimated net loss for all non-performing loans and performing loans that meet specified criteria. Loans are considered to be non-performing where a principal or interest payment is contractually 90 days or more in arrears. At the time of classification as non-performing, any interest that is contractually due but in arrears is reversed from the income statement and interest is thereafter recognised in the income statement on the cash basis only. The estimated net loss is defined as the net exposure remaining after deducting the estimated net realisable value of the collateral (as defined by and determined by the regulations) from the outstanding principal balance of the loan.

(i) Investment securities

Investment securities are classified into the following categories: investment securities at fair value through profit or loss, available-for-sale securities, held-to-maturity and loans and receivables. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Investment securities at fair value through profit or loss are those which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit-taking exists. They are initially recognised at fair value and transaction costs are expensed in the income statement. They are subsequently carried at fair value. Interest income on investment securities at fair value through profit or loss is recognised in interest income. All other realised and unrealised gains and losses are included in gain on foreign currency and investment activities.

Available-for-sale securities are those intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, foreign exchange rates or market prices. They are initially recognised at fair value (including transaction costs), and subsequently remeasured at fair value. Unrealised gains and losses arising from changes in fair value of available-for-sale securities are recognised in other comprehensive income. When the securities are disposed of or impaired, the related accumulated unrealised gains or losses included in other comprehensive income are transferred to the income statement.

Held-to-maturity securities with fixed or determinable payments and fixed maturities that the company has the positive intent and ability to hold to maturity are classified as held-to-maturity. On initial recognition they are measured at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost, using the effective interest method, less impairment losses. Any sale or reclassification of a significant amount of held-to-maturity investments that is not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the company from classifying investment securities as held-to-maturity for the financial year in which sale or reclassification occurs and the following two financial years.

2. Significant Accounting Policies (Continued)

(i) Investment securities (continued)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than: (i) those financial assets that the Bank intends to sell immediately or in the short term, which are classified as held for trading, and (ii) those financial assets that the entity upon initial recognition, designates as at fair value through profit or loss or that it has designated as available-for-sale.

The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset, the Bank establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

Financial assets are assessed at each date of the statement of financial position for objective evidence of impairment. A financial asset is considered impaired if its carrying amount exceeds its estimated recoverable amount. The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the original effective interest rate. The recoverable amount of a financial asset carried at fair value is the present value of expected future cash flows discounted at the current market interest rate for a similar financial asset.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value below cost is considered an indicator of impairment. Significant or prolonged are assessed based on market conditions and other indicators. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment losses previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement. Impairment losses recognised on the equity instruments are not reversed through the income statement.

All purchases and sales of investment securities are recognised at settlement date.

Investment securities are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Bank tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition).

(j) Investment property

Investment property is held for long-term rental yields and is, therefore, treated as a long-term investment.

Investment property is measured initially at cost, including transaction costs, and is subsequently carried at fair value, representing open market value determined annually by the directors or by independent valuators. Changes in fair values are recorded in the income statement.

2. Significant Accounting Policies (Continued)

(k) Property, plant and equipment

Land and buildings are shown at deemed cost less impairment losses, and less subsequent depreciation for buildings. All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to other operating expenses during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated on the straight-line basis at annual rates that will write off the carrying value of each asset over the period of its expected useful life. Annual depreciation rates or period over which depreciation is charged are as follows:

Freehold buildings	2 1/2%
Computer equipment	20 - 25%
Furniture, fixtures and equipment	10% - 20%
Motor vehicles	20%

Gains or losses on disposals are determined by comparing proceeds with carrying amount. These are included in other operating income in the income statement.

(l) Impairment of long lived assets

Property, plant and equipment and intangibles are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purpose of the assessing impairment, assets are Banked at the lowest levels for which there are separately identifiable cash flows.

(m) Financial liabilities

The Bank's financial liabilities comprise primarily amounts due to other banks, customer deposits, repurchase agreements, , other borrowed funds and policyholders' liabilities.

(n) Borrowings

Borrowings, including those arising under securitisation arrangements, are recognised initially at fair value, being their issue proceeds, net of transaction costs incurred. Subsequently, borrowings are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective yield method.

(o) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

2. Significant Accounting Policies (Continued)

(p) Post-employment benefits

Pension benefits

The Bank operates a retirement plan, the assets of which are generally held in separate trustee administered funds. The pension plan is funded by payments from employees and by the relevant companies, taking into account the recommendations of independent qualified actuaries. The Bank operates a defined benefit plan.

Defined benefit pension plans

A defined benefit pension plan is a plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

The amount recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates on Government of Jamaica bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension obligation.

The current service cost of the defined benefit plan, included in staff costs in the income statement, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. The cost is included in staff costs in the income statement.

Past-service costs are recognised immediately in expenses.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Termination benefits

Termination benefits are payable whenever an employee’s employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after statement of financial position date are discounted to present value.

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2. Significant Accounting Policies (Continued)

(q) Share capital

Share issue costs

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, for the proceeds.

Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(r) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and the company will comply with all attached conditions.

Government grants related to the purchase of property and equipment, or for other capital acquisitions, and not for the support of operating activities, are recorded in the statement of financial position as capitalisation reserve and are credited to profit or loss on the straight-line basis over the expected useful lives of the related assets.

(s) Intangible assets

Computer software

Costs that are directly associated with acquiring and developing identifiable and unique software products are recognised as intangible assets. These costs are amortised using the straight-line method over their useful lives, not exceeding a period of five years. Costs associated with maintaining computer software programs are recognised as an expense as incurred.

(t) Loans receivable

The cash advanced to a borrower, including any transaction costs, is taken as the fair value of the loan at the date of disbursement and, accordingly, that is the amount at which the asset is initially recorded.

(u) Leased assets

Assets leased out under operating leases are included in investment properties in the statement of financial position. Rental income is recognised on the straight-line basis over the lease term.

3. Financial Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Bank's overall risk management approach focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Bank's financial performance through policies approved by its Board of Directors and implemented by management.

The Board has established committees with responsibility for developing and monitoring the Bank's risk management policies in their specified areas. All Board committees report regularly to the Board of Directors on their activities. The Board committees and their activities are as follows:

(i) Investment, Finance and Loans Committee

This committee is responsible for monitoring market risks that affect the Bank's investment portfolio; approving credit requests above specified amounts; ensuring that all credit facilities conform to standards agreed by the Board; and approving the mix of the Bank's investment portfolio. The committee is also responsible for approving credit write-offs, specific provisions against financial assets and the terms for any renegotiating specific loans.

(ii) Audit and Conduct Review Committee

The Audit and Conduct Review Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to risks faced by the Bank. This committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and *ad hoc* reviews of risk management controls and procedures, the results of which are reported to the Audit and Conduct Review Committee.

(iii) Compensation Committee

The Compensation Committee aims to develop a disciplined and motivated staff complement through the Bank's human resource policies. The committee ensures that staff is remunerated at competitive rates and that employees are properly trained to perform their duties in such a manner as to reduce the risk of fraud and errors.

(iv) Enterprise Risk Management Committee

The Enterprise Risk Management Committee provides risk oversight to the operations of the Bank through frequent monitoring of the risk implementation policy and strategy, determine the risk tolerance levels of the Bank and approve risk management reports.

3. Financial Risk Management (Continued)

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign currency, interest rate and security prices, will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the returns. The overall responsibility for market risk resides with the Investment, Finance and Loans Committee along with the Enterprise Risk Management Committee. Market risk exposures are measured using sensitivity analysis.

There has been no change in the nature of the Bank's exposure to market risk or the manner in which it measures and manages the risk.

(i) Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Bank takes on exposure to address the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Bank has special arrangements with Bank of Jamaica to facilitate the expeditious liquidation of foreign currency liabilities.

The Bank is exposed to foreign currency risk on transactions that are denominated in currencies other than the Jamaica dollar. The main currencies giving rise to this risk are the US Dollar and the Euro.

At the reporting date, the foreign currency assets and liabilities, by currency, were as follows:

	2016		2015	
	US$	€	US$	€
	’000	’000	’000	’000
Cash and cash equivalents	1,920	-	2,101	-
Resale repurchace agreements	14,576	-	2,727	-
Investment securities	22,151	-	22,507	-
Mortgage receivable & CEF	16,062	-	16,867	-
Loans, net of impairment losses	47,231	-	48,017	-
Total foreign currency assets	101,940	-	92,219	-
Short-term loans	(3,998)	(64)	(11,738)	(64)
Long-term loans	(93,247)	(665)	(75,180)	(716)
Other liabilities	(1,528)	-	(1,491)	-
Total foreign currency liabilities	(98,773)	(729)	(88,409)	(780)
Net foreign currency assets/(liabilities)	3,167	(729)	3,810	(780)

3. **Financial Risk Management (Continued)**

(a) Market risk (continued)

(i) Currency risk (continued)

Foreign currency sensitivity

The following table indicates the currencies to which the Bank have significant exposures on its monetary assets and liabilities and its forecast cash flows. The change in currency rates below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents the outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for changes in foreign currency rates. The sensitivity analysis includes loans and advances to customers, investment securities and deposits. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in each variable, variables had to be considered on an individual basis. It should be noted that movements in these variables are non-linear.

	2016				2015			
	%	Change in Currency rate	Effect on profit	Effect on equity	%	Change in Currency rate	Effect on profit	Effect on equity
			$'000	$'000			$'000	$'000
Strengthening of the Jamaica dollar:								
USD	1%	Revaluation	(3,854)	(3,854)	1%	Revaluation	(4,362)	(4,362)
Euro	1%	Revaluation	1,007	1,007	1%	Revaluation	968	968
Weakening of the Jamaica dollar:								
USD	10%	Devaluation	38,544	38,544	10%	Devaluation	43,620	43,620
Euro	10%	Devaluation	(10,068)	(10,068)	10%	Devaluation	(9,679)	(9,679)

This assumes that all other variables remain constant.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

Variable rate instruments expose the Bank to a loss of future cash flow, while fixed rate instruments expose the Bank to loss in fair value. Interest rate risk is managed by holding primarily fixed rate financial instruments which form the majority of the Bank's financial assets.

3. Financial Risk Management (Continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

	2016						
	Immediately rate sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non - Interest Bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets							
Cash and cash equivalents	885,370	-	-	-	-	630	886,000
Resale agreements	697,061	1,089,605	-	-	-	5,505	1,792,171
Investments Securities	-	-	-	1,089,965	1,463,762	270,546	2,824,273
Interest in associated companies	-	-	-	-	74,805	976,105	1,050,910
Loans, net of impairment losses	-	1,389,420	3,504,924	8,771,829	3,401,701	249,938	17,317,812
Due from Government of Jamaica	-	-	-	-	-	725,864	725,864
Due from Credit Enhancement Facility Fund	-	-	-	-	428,242	-	428,242
Other receivables	-	-	-	-	-	163,020	163,020
Total financial assets	1,582,431	2,479,025	3,504,924	9,861,794	5,368,510	2,391,608	25,188,292
Liabilities							
Loans payable	-	-	947,858	1,916,751	11,706,404	2,233,886	16,804,899
Other Liabilities	-	-	-	-	-	500,609	500,609
Total financial liabilities	-	-	947,858	1,916,751	11,706,404	2,734,495	17,305,508
Interest rate sensitivity gap	1,582,431	2,479,025	2,557,066	7,945,043	(6,337,894)	(342,887)	7,882,784
Cumulative Interest sensitivity gap	1,582,431	4,061,456	6,618,522	14,563,565	8,225,671	7,882,784	-

3. Financial Risk Management (Continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

	2015						
	Immediately rate sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non - Interest Bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets							
Cash and cash equivalents	-	7,429	-	-	-	526,991	534,420
Resale agreements	199,986	133,636	-	-	-	1,476	335,098
Investments Securities	-	-	32,282	880,476	1,758,973	52,308	2,724,036
Interest in associated companies	-	-	-	-	735,401	205,216	940,617
Loans, net of impairment losses	-	2,860,922	4,057,731	4,993,283	3,575,478	1,241,793	16,729,207
Due from Government of Jamaica	-	-	-	-	-	712,991	712,991
Due from Credit Enhancement Facility Fund	-	-	-	-	-	394,862	394,862
Other receivables	-	-	-	-	-	143,180	143,180
Total financial assets	199,986	3,001,987	4,090,013	5,873,759	6,069,852	3,278,814	22,514,411
Liabilities							
Loans payable	-	647,718	3,179,356	8,496,209	390,864	1,580,314	14,294,461
Other Liabilities	-	-	-	-	-	497,358	497,358
Total financial liabilities	-	647,718	3,179,356	8,496,209	390,864	2,077,672	14,791,819
Interest rate sensitivity gap	199,986	2,354,269	910,657	(2,622,450)	5,678,988	1,201,142	7,722,592
Cumulative Interest sensitivity gap	199,986	2,554,255	3,464,912	842,462	6,521,450	7,722,592	-

3. Financial Risk Management (Continued)

(a) 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 income statement and stockholders' equity.

The sensitivity of the profit or loss is the effect of the assumed changes in interest rates on net income based on the floating rate of non-trading financial assets and financial liabilities. The sensitivity of other comprehensive income is calculated by revaluing fixed rate available-for-sale financial assets for the effects of the assumed changes in interest rates. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variable, variables had to be on an individual basis. It should be noted that movements in these variables are non-linear.

	Effect on Net Profit 2016 $'000	Effect on Equity 2016 $'000	Effect on Net Profit 2015 $'000	Effect on Equity 2015 $'000
Change in basis points:				
Decrease - JMD -50 and USD -50	(82,461)	84,556	(60,889)	10,304
Increase - JMD +100 and USD +100	164,922	(153,574)	135,485	41,216

(i) The Bank's exposure to security price risk is insignificant as the Bank's securities that derive their value from market prices are not significant.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The main financial assets giving rise to credit risk are cash and cash equivalents, resale agreements, investment securities, advances to associates, loans receivable, Government of Jamaica recoverables, due from Credit Enhancement Facility Fund, and other receivables.

3. Financial Risk Management (Continued)

(b) Credit risk (continued)

(i) Exposure to credit risk

Current credit exposure is the amount of loss that the Bank would suffer if all counterparties to which the Bank was exposed were to default at once, without taking account of the value of any collateral held. This is represented substantially by the carrying amount of financial assets shown in the statement of financial position.

There has been no change in the nature of the Bank's exposure to credit risk or the manner in which it measures and manages the risk.

Maximum exposure to credit risk before collateral held or other credit enhancements

The maximum exposure to credit risk before taking account of collateral held and other credit enhancements is as follows:

- Credit risk exposures relating to items recognised:
  This exposure is the carrying amounts in the statement of financial position of financial assets that are subject to credit risk.

- Credit risk exposures relating to items not recognised:

	Maximum exposure	
	2016	**2015**
	$'000	**$'000**
Loan commitments	7,159,591	4,485,649
Guarantees	563,403	313,247
	7,722,994	4,798,896

3. Financial Risk Management (Continued)

(b) Credit risk (continued)

(i) Exposure to credit risk (continued)

	2016						
	Cash and cash equivalents	Loans	Investment securities	Resale agreements	Due from Govt. of Jamaica	Others	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amounts	886,000	17,317,812	2,824,273	1,792,171	725,864	163,020	23,709,140
Concentration sector:							
Financial institutions	886,000	-	2,690,073	1,788,148	-	-	5,364,221
Agriculture ,fishing and mining	-	3,124,875	-	-	-	-	3,124,875
Government and public entities	-	410	-	-	725,864	-	726,274
Manufacturing	-	5,312,288	-	-	-	-	5,312,288
Professional and other services	-	6,249,250	38,023	-	-	163,020	6,450,793
Tourism and entertainment	-	2,131,264	55,790	-	-	-	2,187,054
Transportation , storage and communication	-	625,385	-	-	-	-	625,385
	886,000	17,443,971	2,783,886	1,788,148	725,864	163,020	23,790,889
Interest receivable	-	304,529	40,387	4,023	-	-	348,939
	886,000	17,748,500	2,824,273	1,792,171	725,864	163,020	24,139,828
Less: Impairment losses	-	(430,688)	-	-	-	-	(430,688)
	886,000	17,317,812	2,824,273	1,792,171	725,864	163,020	23,709,140
Concentration by location							
Jamaica	843,024	17,317,812	395,255	1,792,171	725,864	163,020	21,237,147
United States of America	42,976	-	2,422,949	-	-	-	2,465,925
Barbados	-	-	6,068	-	-	-	6,068
	886,000	17,317,812	2,824,273	1,792,171	725,864	163,020	23,709,140

3. Financial Risk Management (Continued)

(b) Credit risk (continued)

(i) Exposure to credit risk (continued)

	2015						
	Cash and cash equivalents	Loans	Investment securities	Resale agreements	Recoverables from Govt. of Jamaica	Others	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amounts	534,420	16,729,207	2,724,036	335,098	712,991	151,393	21,187,145
Concentration sector:							
Financial institutions	534,420	-	2,605,703	333,622	-	-	3,473,745
Agriculture ,fishing and mining	-	4,495,710	-	-	-	-	4,495,710
Government and public entities	-	21	-	-	712,991	-	713,012
Manufacturing	-	1,044,323	-	-	-	-	1,044,323
Professional and other services	-	5,470,758	5,724	-	-	151,393	5,627,875
Tourism and entertainment	-	6,043,668	65,289	-	-	-	6,108,957
Transportation , storage and communication	-	20,982	-	-	-	-	20,982
	534,420	17,075,462	2,676,716	333,622	712,991	151,393	21,484,604
Interest receivable	-	453,603	47,320	1,476	-	-	502,399
	534,420	17,529,065	2,724,036	335,098	712,991	151,393	21,987,003
Less: Impairment losses	-	(799,858)	-	-	-	-	(799,858)
	534,420	16,729,207	2,724,036	335,098	712,991	151,393	21,187,145
Concentration by location							
Jamaica	531,152	16,729,207	399,499	335,098	712,991	151,393	18,859,340
United States of America	3,268	-	2,318,813	-	-	-	2,322,081
Barbados	-	-	5,724	-	-	-	5,724
	534,420	16,729,207	2,724,036	335,098	712,991	151,393	21,187,145

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3. **Financial Risk Management (Continued)**

(b) Credit risk (continued)

(i) Exposure to credit risk (continued)

Credit quality is measured and monitored after disbursement primarily by the extent to which the debtor is current:

- **Loans**

	2016	**2015**
	$'000	**$'000**
Direct loans	5,819,778	5,567,293
GOJ infrastructure loans	410	21
Financials and agricultural institutions loans	11,497,624	11,161,893
	17,317,812	16,729,207
Neither past due nor impaired	16,988,701	16,004,200
Past due but not impaired:		
1 to 3 months	101,483	105,383
3 to 6 months	5,430	18,437
6 to 12 months	-	24,076
Over 12 months	5,914	80,676
Past due and impaired	646,972	1,296,293
	17,748,500	17,529,065
Less allowance for loan losses	(430,688)	(799,858)
	17,317,812	16,729,207

3. Financial Risk Management (Continued)

(b) Credit risk (continued)

(i) Exposure to credit risk (continued)

- Other amounts receivable- contractual due dates:

	2016	**2015**
	$'000	**$'000**
Neither past due nor impaired		
Due from Government of Jamaica :		
Note receivable	251,351	317,929
Other	450,099	373,593
	701,450	619,522

- Other amounts receivable- no contractual due dates:

	2016	**2015**
	$'000	**$'000**
No due date – deemed not impaired		
Due from Government of Jamaica :		
Privatisation	24,414	21,469
Other receivables	163,020	151,393
	187,434	172,862

3. Financial Risk Management (Continued)

(b) Credit risk (continued)

(i) Exposure to credit risk (continued)

The carrying amount, at the reporting date, of loans whose contractual provisions have been renegotiated was $710,790,000 (2015 - $1,426,467,000).

(ii) Management of credit risk

The Bank manages its credit risk primarily by review of the financial status of each counterparty, and structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower or Bank of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and are subject to an annual or more frequent review. The exposure to any one borrower, including banks and brokers/dealers, is restricted by limits covering on and off-statement of financial position exposures. Actual exposures against limits are monitored daily. Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest payment and principal repayment obligations, obtaining collateral and corporate and personal guarantees, and by changing lending limits where appropriate.

Credit risk is managed for specific financial assets in ways that include the following:

Cash and cash equivalents

Cash and cash equivalents are held with financial institutions that are licensed and regulated and which management regards as strong, and in such a way that there is no significant concentration. The strength of these financial institutions and the level of concentration are continually reviewed by management and the Investment, Finance and Loans Committee.

Investment securities and resale agreements

The Bank limits its exposure to credit risk for these assets by investing only with counterparties that have high credit ratings. Therefore, management's expectation of defaults by any counterparty is low.

The Bank has documented investment policies, which serve as a guide in managing credit risk on investment securities and resale agreements. The Bank's exposure and the credit ratings of its counterparties are continually monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

3. Financial Risk Management (Continued)

(b) Credit risk (continued)

(ii) Management of credit risk (continued)

Credit risk is managed for specific financial assets in ways that include the following (continued):

Amounts due from Government of Jamaica
Balances with Government of Jamaica are regarded as sovereign debt and risk free investment by the regulators of licensed deposit taking and other financial institutions. The default risk of Government of Jamaica is low and, therefore, the Bank does not anticipate any default on the recovery of these balances.

Loans
The management of credit risk in respect of loans is executed by the management of the Bank. The Investment, Finance and Loans Committee of the Board of Directors is responsible for the oversight of the Bank's credit risk and the development of credit policies. There is a documented credit policy in place, which guides the Bank's credit process.

(iii) Impairment

Impaired financial assets are assets for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms. In assessing the impairment of loans receivable, the main considerations are arrears of principal and interest for more than 90 days, known difficulties in the cash flows of the counterparty, and failure to comply with the original terms of the loan agreement.

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.

(iv) Past due but not impaired loans

These are loans where contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate based on the quality and value of collateral held or other security available or the stage of collection of amounts owed to the Bank.

(v) Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Bank has made concessions that it would not otherwise consider. Once the loan is restructured, it is classified and monitored.

3. Financial Risk Management (Continued)

(b) Credit risk (continued)

(vi) Write-off policy

The Bank writes off a loan (and any related allowances for impairment losses) when it determines that the loan is uncollectible. This determination is usually made after considering information such as changes in the borrower's financial position, or that proceeds from collateral will not be sufficient to pay back the entire exposure. The write-off of loans must be submitted to the Investment, Finance and Loans Committee for recommendation to the full Board for approval.

(vii) Collateral and other credit enhancements held against financial assets

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. The Bank has guidelines that set out the acceptability of different types of collateral. The types of collateral held by the Bank are as follows:

- Loans — Mortgages over properties, liens over motor vehicles and other registered securities, hypothecation of shares, promissory notes, and guarantees.
- Resale agreements — Government of Jamaica securities.

Collateral is generally not held for 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 (2015 - no collateral held).

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.

3. Financial Risk Management (Continued)

(b) Credit risk (continued)

(viii) The fair values of collateral held against loans to borrowers and other financial assets exposed to credit risk are shown below:

	Loan Receivables		Other receivables		Resale agreements	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Against neither past nor impaired financial assets:						
Property (land and buildings)	8,275,597	7,970,299	23,346	11,116	-	-
Debt securities	-	-	-	-	1,848,463	342,382
Motor vehicles	-	-	69,294	57,915	-	-
Other	-	-	90,017	82,147	-	-
Against past due but not impaired financial assets:						
Property (land and buildings)	358,320	825,285	-	-	-	-
Against past due and impaired financial assets:						
Property (land and buildings)	760,864	944,662	-	-	-	-

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3. Financial Risk Management (Continued)

(c) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. 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 Bank and its exposure to changes in interest rates and exchange rates.

The Bank's approach to managing liquidity is to ensure, as far as possible, that it has sufficient funding to meet its liabilities when due. A report comparing monthly projected disbursements with expected inflows is maintained and monitored to achieve maximum efficiency without incurring unacceptable losses.

The Bank's investment securities are considered readily realisable as they are Government securities. The Bank also has the ability to borrow in the short-term at reasonable interest rates to cover any shortfall that may arise from its operations.

Daily reports covering the liquidity position of the Bank, including any exceptions, and remedial action taken, are submitted regularly to the Managing Director and detailed investment schedules are presented monthly to the Investment, Finance and Loans Committee.

The Bank is not subject to any externally imposed liquidity limit.

The following table presents the undiscounted contractual maturities of financial liabilities, including interest payments, on the basis of their earliest possible contractual maturity.

	2016						
	Within 3 Months	**3 to 12 Months**	**1 to 5 Years**	**Over 5 Years**	**No specific maturity**	**Total cash flows**	**Carrying amount**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Liabilities							
Loans payable	602,815	1,157,097	5,677,278	5,712,779	3,654,930	16,804,900	16,804,900
Other Liabilities	314,166	-	186,443	-	-	500,609	500,609
	916,981	1,157,097	5,863,721	5,712,779	3,654,930	17,305,509	17,305,509

	2015						
Liabilities							
Loans payable	1,135,013	1,673,045	3,482,342	3,282,908	2,811,846	12,385,154	14,294461
Other liabilities	241,974	96,877	175,634	-	38,099	552,584	497,357
	1,376,987	1,769,922	3,657,976	3,282,908	2,849,945	12,937,738	14,791,818

There was no change in the nature of the Bank's liquidity risk or its approach to managing or measuring the risk.

3. Financial Risk Management (Continued)

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank'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 areas of the Bank's operations.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank'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;
- requirement for the reconciliation and monitoring of transactions;
- compliance with legal requirements;
- documentation of controls and procedures;
- requirement for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirement for the reporting of operational losses and proposed remedial actions;
- development of contingency plans;
- risk mitigation, including insurance where this is effective.

Compliance with the Bank'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 the Audit and Conduct Review Committee, which reports its findings to the Board of Directors.

(e) Capital management

The Bank is not a regulated entity and, therefore, has no externally imposed capital requirements. However, the Bank seeks to maintain a minimum capital to safeguard its ability to continue as a going concern, so that it can continue to provide benefits to its stakeholders and to maintain the capital base necessary to support the development of its business. The Bank defines its capital base as share capital, capital and other reserves and retained earnings. The Board's determination of what constitutes a sound capital position is informed by the mission of the Bank and the fact of its government ownership. The Board's policy is to maintain a balance between a sound capital position, the shareholder's demand for dividends, and the risks associated with borrowing to finance its activities. The policies in respect of capital management are reviewed from time to time by the Board of Directors.

There were no changes in the Bank's approach to capital management during the year.

3. Financial instrument risk management (Continued)

(f) Fair value estimation

(i) Accounting classifications and fair values:

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.

		2016									
		Carrying amount						Fair value*			
	Notes	Held to maturity	Loan and receivables	Available for sale	Fair value through profit or loss	Other Financial liabilities	Total	Level 1	Level 2	Level 3	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets measured at fair value:											
Unit in unit trust		-	-	5,319	-	-	5,319	5,319	-	-	5,319
Government of Jamaica securities		-	-	2,350,608	-	-	2,350,608	-	2,350,608	-	2,350,608
		-	-	2,355,927	-	-	2,355,927	5,319	2,350,608	-	2,355,927
Financial assets not measured at fair value:											
Government of Jamaica securities		368,203	-	-	-	-	368,203				
Preference shares		-	55,791	-	-	-	55,791				
Resale agreements		-	1,792,171	-	-	-	1,792,171				
Cash and cash equivalents		-	886,000	-	-	-	886,000				
Other receivables		-	163,020	-	-	-	163,020				
Direct loans		-	5,413,935	-	-	-	5,413,935				
Financial and agricultural intuitions loans		-	11,903,468	-	-	-	11,903,468				
GOJ infrastructural programmes		-	410	-	-	-	410				
GOJ receivables		-	725,864	-	-	-	725,864				
		368,203	20,940,659	-	-	-	21,308,862				
Financial liabilities not measured at fair value:											
Loan payable		-	-	-	-	16,804,900	16,804,900				
Other		-	-	-	-	500,609	500,609				
		-	-	-	-	17,305,509	17,305,509				

* The company has not disclosed the fair values of cash and cash equivalents, resale agreements, loans receivable, GOJ receivables, other receivables, loans payable and other liabilities because the carrying amounts of these financial instruments are a reasonable approximation of fair values.

3. Financial Risk Management (Continued)

(f) Fair value estimation (continued)

(i) Accounting classifications and fair values (continued):

	2015									
	Carrying amount						**Fair value***			
	Held to maturity	Loan and receivables	Available for sale	Fair value through profit or loss	Other Financial liabilities	Total	Level 1	Level 2	Level 3	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets measured at fair value:										
Unit in unit trust	-	-	4,985	-	-	4,985	4,985	-	-	4,985
Government of Jamaica securities	-	-	2,276,856	-	-	2,276,856	-	2,276,856	-	2,276,856
	-	-	2,281,841	-	-	2,281,841	4,985	2,276,856	-	2,281,841
Financial assets not measured at fair value:										
Government of Jamaica securities	329,586	-	-	-	-	329,586	-	442,195	-	442,195
Preference shares	-	65,289	-	-	-	65,289				
Resale agreements	-	335,098	-	-	-	335,098				
Cash and cash equivalents	-	534,420	-	-	-	534,420				
Other receivables	-	151,393	-	-	-	151,393				
Direct loans	-	5,567,293	-	-	-	5,567,293				
Financial and agricultural institions loans	-	11,161,893	-	-	-	11,161,893				
GOJ infrastructural programmes	-	21	-	-	-	21				
GOJ receivables	-	712,991	-	-	-	712,991				
	329,586	18,528,398	-	-	-	18,857,984				
Financial liabilities not measured at fair value:										
Loan payable	-	-	-	-	14,294,461	14,294,461				
Other	-	-	-	-	497,358	497,358				
	-	-	-	-	14,791,819	14,791,819				

* The company has not disclosed the fair values of cash and cash equivalents, resale agreements, loans receivable, GOJ receivables, other receivables, loans payable and other liabilities because the carrying amounts of these financial instruments are a reasonable approximation of fair values.

Notes to the Financial Statements

3. Financial Risk Management (Continued)

(f) Fair value estimation (continued)

(ii) Measurement of fair values:

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.

The company's accounting policies and disclosures require the measurement of fair values for financial assets and liabilities.

When measuring fair value of an asset or liability, the company uses observable data as far as possible. Fair values are categorized into different levels in a three-level fair value hierarchy based on the inputs used in the valuation techniques, as follows:

Level 1
Included in the Level 1 category are financial assets and liabilities that are measured by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2
Included in the Level 2 category are financial assets and liabilities that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions, and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair values based on broker quotes, investments in funds with fair values obtained via fund managers, and assets that are valued using a model whereby the majority of assumptions are market observable.

Level 3
Included in the Level 3 category are financial assets and liabilities that are measured using non-market observable inputs. This means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

The following table shows the valuation methods used to measure Level 2 fair values as well as any significant unobservable inputs used.

Financial assets	**Method**
Government of Jamaica J$ securities and Bank of Jamaica securities	• Obtain bid yield from yield curve provided by a recognized pricing source (which uses market-supplied indicative bids) • Using this yield, determine price using accepted formula • Apply price to estimate fair value.
Units in unit trust	Prices of units at reporting date as quoted by the Fund Managers.

There were no financial assets designated at Level 3. No financial assets were transferred from one level in the hierarchy to another.

4. Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Bank's financial statements and its financial results are influenced by accounting policies, assumptions, estimates and management judgment, which necessarily have to be made in the course of preparation of the financial statements.

The Bank makes estimates and assumptions that may affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard.

Estimates and judgments are continuously evaluated and are based on past experience and other factors, including expectations with regard to future events. Accounting policies and management's judgments for certain items are especially critical for the Bank's results and financial position due to their materiality.

Impairment losses on loans and advances

The Bank reviews its loan portfolio to assess impairment at least on a monthly basis. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from loans. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a Bank, or national or local economic conditions that correlate with defaults on assets in the Bank. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Future obligations for post-employment benefits

The cost of these benefits and the present value of the future obligations depend on a number of factors that are determined by actuaries using a number of assumptions. The assumptions used in determining the net periodic cost or income for retirement benefits include the expected long-term rate of return on the relevant plan assets, the discount rate and, in the case of health benefits, the expected rate of increase in health costs. Any changes in these assumptions will impact the net periodic cost or income recorded for retirement benefits and may affect planned funding of the pension plan. The expected return on plan assets assumption is determined on a uniform basis, considering long-term historical returns, asset allocation and future estimates of long-term investment returns. The Bank determines the appropriate discount rate at the end of each year, which represents the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement benefit obligations. In determining the appropriate discount rate, the Bank considered interest rate on government bonds that are denominated in the currency in which the benefits will be paid, and have terms to maturity approximating the terms of the related obligations. The expected rate of increase of health costs has been determined by comparing the historical relationship of the actual health cost increases with the rate of inflation. Other key assumptions for the retirement benefits are based on current market conditions.

Residual value and expected useful life of property and equipment:

The residual value and the expected useful life of an asset are estimated by management on the basis of certain assumptions. They are reviewed at least at each reporting date, and if expectations differ from previous estimates, the change is accounted for. The useful life of an asset is defined in terms of the asset's expected utility to the company.

Notes to the Financial Statements

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5. Net Interest Income

	2016	2015
	$'000	**$'000**
Interest income		
Loans and advances	1,037,101	1,006,073
Income from sugar loan agreement	33,839	27,075
Advances	-	18,590
Investment securities	195,230	167,058
Reverse repurchase agreements	26,184	34,660
Cash and deposits and other	2,555	2,058
	1,294,909	1,255,514
Interest expense		
Long term loans	(524,948)	(494,268)
Net interest income	769,961	761,246

6. Other Income

	2016	2015
	$'000	**$'000**
Administrative fees	18,305	17,867
Commitment fees	60,093	41,644
Gain on disposal of property and equipment	1,099	693
Rental income	95,768	89,581
Dividends	-	1
Foreign exchange gains	3,364	132,726
Collections in respect of loans previously written off	62,198	705,367
IDB Venture Capital Conference - income	1,518	4,293
IDB Venture Capital Conference - expense	(1,518)	(4,293)
Appreciation in fair value of investment properties	15,721	28,657
Public Private Partnership & Privatisation - fees	53,751	65,314
Miscellaneous	66,473	5,148
	376,772	1,086,998

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7. Staff Costs

	2016	2015
	$'000	$'000
Salaries and wages	340,964	303,883
Payroll taxes	23,279	20,623
Pension costs – defined benefit plans (Note 18)	6,958	1,779
Performance incentive bonus	24,517	20,398
Other	71,927	63,594
	467,645	410,277

8. Operating Expenses

	2016	2015
	$'000	$'000
Amortisation	3,966	3,832
Advertising and public relations	38,747	11,475
Assistance to projects	5,288	9,412
Auditors' remuneration	4,500	4,862
Depreciation	37,231	37,604
Directors' fees	1,182	1,046
Legal fees	3,362	4,466
Professional fees	33,464	26,215
Motor vehicle expenses	5,670	5,908
Occupancy costs – including insurance, utilities and repairs	112,775	117,005
Travelling	7,116	5,283
Discount on additional advances made to Harmonisation	22,255	68,108
Bad debts	16,460	-
Other	19,621	19,421
	311,637	314,637

9. Cash and Cash Equivalents

	2016	2015
	$'000	$'000
Cash	95	95
Deposits	885,905	534,325
	886,000	534,420

10. Reverse Repurchase Agreement

The Bank enters into collateralised reverse repurchase agreements which may result in credit exposure in the event that the counterparty to the transaction is unable to fulfill its contractual obligations. Included within reverse repurchase agreements is accrued interest receivable of $5,504,000 (2015 – $1,476,000). At the reporting date, all agreements were collaterised by Government or Jamaica securities.

Included in reverse repurchase agreements are securities with an original maturity of less than 90 days amounting to $1,787,000,000 (2015 – $334,000,000) which are regarded as cash equivalents for the purposes of the statement of cash flows.

The fair value of the collateral underlying the resale agreements was $1,848,463,000 (2015 - $342,382,000) at the reporting date.

11. Investment Securities

	Remaining term to maturity					
	Within 3 months	3 to 12 Months	1 to 5 Years	Over 5 Years	Carrying value	Carrying Value
	$'000	$'000	$'000	$'000	$'000	$'000
					2016	2015
Held to maturity:						
Government of Jamaica	-	-	-	368,203	368,203	329,586
Loan and receivables:						
Preferences shares	-	-	55,791	-	55,791	65,289
Available for sale:						
Units in unit trust	-	-	-	-	5,319	4,985
Government of Jamaica bonds	-	-	868,200	1,482,407	2,350,607	2,276,856
					2,355,926	2,281,841
Interest receivables					44,353	47,320
					2,824,273	2,724,036
Allowance for impairment					-	-
					2,824,273	2,724,036

(a) The movement in the allowance for impairment is as follows:

	2016	2015
	$'000	$'000
At the beginning of year	-	855,086
Amounts recovered	-	(651,676)
Provision no longer required	-	(203,410)
At end of year	-	-

11. Investment Securities (Continued)

(b) National Debt Exchange

Government of Jamaica ("GOJ") bonds include $136,000,000 of Fixed Rate Accreting Notes ("FRANs"). As part of the National Debt Exchange, GOJ mandated the Bank (and all other state-owned/controlled entities that held GOJ issued notes) ("Old Notes") to exchange those Old Notes for new notes – FRANs - as at February 22, 2013. Old notes with a carrying amount of $170,000,000 at that date were exchanged for FRANs with a fair value of $136,000,000, resulting in a loss of $34,000,000. The terms of the FRANs are as follows:

(i) A holder of Old Notes was issued with J$80 of initial principal value of FRANs for every J$100 of principal value of Old Notes.

(ii) Interest is payable semi-annually on February 15 and August 15 at a fixed rate of 10% p.a. on the accreted principal value with the first payment being made on August 15, 2013.

(iii) Accretion for the additional J$20 of principal value will commence in August 2015 as follows:

- 0.5% of $100 every six months from August 15, 2015 until August 15, 2020;
- Thereafter, 1.0% of $100 every six months until August 15, 2026; and
- Thereafter, 1.5% of $100 every six months until August 15, 2027.

(iv) The FRANs may be redeemed by GOJ on any interest payment date after August 15, 2020. (The value at which the FRAN could be redeemed is not included in the offer document).

12. Investment Properties

	2016	**2015**
	$'000	**$'000**
Balance at beginning of year	480,704	448,233
Additions	-	3,814
Fair value gains	15,760	28,657
Balance at end of year	496,464	480,704
Land at Drax Hall, St.Ann	12,776	12,737
Manor Park apartment, rented	18,800	18,800
21 Dominica Drive, rented	464,888	449,167
	496,464	480,704
Income earned from the properties	50,832	42,890
Expenses incurred by the properties	(10,695)	(8,405)

12. Investment Properties (Continued)

The properties held are stated at fair value and determined by Directors valuation based on advice from external, independent property valuers, Allison Pitter and Co., Chartered (Valuation) Surveyors. They have estimated a 3.5% increase applied as at February 29, 2016.

The fair value measurement for investment property has been categorized as a Level 3 fair value based on the inputs to the valuation technique used.

13. Investment in Associates

	2016	2015
	$'000	$'000
Ordinary shares, at cost	250	250
Advances and related accrued interest receivables		
Original advances	1,150,471	1,039,555
Additional advances	133,523	110,916
Gross amount receivables	1,283,994	1,150,471
Unaccredited imputed interest:		
Original amount of discount	(278,620)	(210,512)
Discount on additional advances	(22,255)	(68,108)
Total discounts	(300,875)	(278,620)
Accretion in previous years	80,554	61,964
Accretion in current year	-	18,590
Accretion to date	80,554	80,554
Unaccreted interest carried forward	(220,321)	(198,066)
Present value of amount receivable	1,063,923	952,655
Share of (losses)/profits		
At beginning of year	(12,038)	33,662
Loss recognized during the year	(40,687)	(45,700)
At end of year	(52,725)	(12,038)
	1,011,198	940,617

13. Investment in Associates (Continued)

The shareholders of Harmonisation Limited entered into a new agreement between themselves to cease charging interest on their advances and to issue preference shares to the existing shareholders in the ratio of their outstanding advances. Advances are unsecured with no fixed repayment date. At the reporting date, the preference shares had not been issued. It is expected that they will be issued when the Joint Venture and Members Agreements come into force.

As the long-term receivable is non-interest-bearing, interest income has been imputed in accordance with the requirements of IFRS.

	2016	2015
	$'000	$'000
Current assets	219,797	166,488
Non-current assets	2,355,309	2,358,488
Current liabilities	10,730	9,976
Non-current liabilities	2,881,021	2,748,553
Revenue	15,053	13,608
Loss from continuing operations	(83,092)	(82,860)

14. Loans Receivables, Net of Provision for Credit Losses

	2016	2015
	$'000	$'000
Direct loans	5,413,935	5,567,293
Financial and agricultural institutions loans	11,903,467	11,161,893
Government of Jamaica Infrastructure Loan Programme	410	21
	17,317,812	16,729,207

Direct loans:

	Remaining term to maturity					
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Carrying value	Carrying value
	$'000	$'000	$'000	$'000	$'000	$'000
					2016	2015
Loans receivable	357,092	1,265,417	2,125,473	1,788,388	5,536,370	5,879,538
Interest receivable					283,408	440,079
					5,819,778	6,319,617
Less impairment allowance					(405,843)	(752,324)
					5,413,935	5,567,293

The loans bear interest at rates ranging from 4% - 12% (2015 - 4% - 13%) per annum.

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14. Loans Receivables, Net of Provision for Credit Losses (Continued)

Financial and agricultural institutions loans:

	2016	2015
	$'000	$'000
Loans to financial institutions	10,959,243	10,117,877
Interest receivables	9,639	12,735
	10,968,882	10,130,612
Loans to National People's Co-operative Banks	947,672	1,078,025
Interest receivable on Loans to National People's Co-operative Banks	11,758	790
	959,430	1,078,815
	11,928,312	11,209,427
Less impairment losses on loans	(24,845)	(47,534)
	11,903,467	11,161,893

Government of Jamaica Infrastructural Loan Programme

	2016	2015
	$'000	$'000
Loan amount	410	21
Interest receivables	177,431	177,431
	177,841	177,452
Less impairment losses on loans	(177,431)	(177,431)
	410	21

15. Due from Government of Jamaica

Due from Government of Jamaica Privatisation

This balance represents amounts advanced by the company in the process of divesting assets on behalf of the Government of Jamaica ("GOJ"), net of the proceeds of the divestments.

	Net recoverable/ (payable)	Amount advanced	Proceeds collected	Net recoverable/ (payable)
	$'000	$'000	$'000	$'000
	2015			2016
Projects in progress	108,489	38,575	(35,630)	111,434
Projects completed	(79,941)	-	-	(79,941)
Others	(7,078)	-	-	(7,078)
	21,470	38,575	(35,630)	24,415

15. Due from Government of Jamaica (Continued)

Due from Government of Jamaica- Other:

(a) Note receivable:

GOJ signed an agreement dated September 20, 2011 with the company under which GOJ assumed certain loans owed to the company by three GOJ-owned sugar companies. GOJ issued a non-interest bearing promissory note to the company in the amount of J$1,004,168,000 repayable over a ten-year period commencing 1 April 2011 and ending 31 March 2021 in semi-annual instalments. The carrying amount is made up as follows:

	2016	2015
	$'000	$'000
Face value of 10- year interest – free note	1,004,168	1,004,168
Imputed interest	(345,056)	(345,056)
Fair value at date of issue (Note 25)	659,112	659,112
Principal portion repaid in instalments received to date	(407,761)	(341,183)
Carrying amount	251,351	317,929

(b) Exchange losses on loans:

	2016	2015
(i) Caribbean Development Bank loans:		
Unrealised	295,213	230,010
Realised	38,753	38,753
	333,966	268,763
(ii) European Investment Bank loans (Note 21):		
Realised	27,924	19,235
(iii) Other loans:		
Unrealised	88,208	85,595
	450,098	373,593
	725,864	712,991

16. Credit Enhancement Facility Fund

The Credit Enhancement Facility Fund ("the Fund"), which was established with effect from July 2009, is an arrangement between the Approved Financial Institutions ("AFI") and the Bank, which is aimed at providing partial collateral guarantees to AFIs for loans to Small and Medium-sized Enterprises ("SMEs") which do not meet the full collateral requirements, and the Fund was set up as a part of the arrangements. Losses arising from these guaranteed loans are shared between the Bank and the AFIs.

The Bank indemnifies the AFIs for losses incurred on loans made, with the indemnity maximised at (1) the lower of $15 million or 50 per cent of the value of the loan on regular SME loans (2) the lower of $15 million or 80 per cent of the value of the loan on SME Energy loans and (3) the lower of $5 million or 80 per cent of the value of the loan on regular SME loans not exceeding $6.25 million. The Bank has transferred $250 million from its investments and placed it in a Trust managed by a Board of Trustees.

The financial position and performance of the Fund during the year are detailed below:

	2016	2015
	$'000	$'000
Assets -		
Investments	250,000	250,000
Repurchase agreement	2,002	-
Cash at bank	5,967	-
Receivables	170,273	144,862
	428,242	394,862
Fund capital, reserve and liability -		
Fund capital	250,000	250,000
Accumulated profit	175,112	146,389
	425,122	396,389
Payables(Receivables)	3,120	(1,527)
	428,242	394,862

	2016	2015
	$'000	$'000
Profit for the year	28,733	30,561

17. Other Receivables

	2016	2015
	$'000	$'000
Sundry interest	49,821	47,339
Prepayment	8,071	8,213
Staff receivables	105,128	95,841
NIBJ recoveries	479,314	532,291
NIBJ provision recoveries	(479,314)	(532,291)
	163,020	151,393

18. Employee Benefit Assets

	2016	2015
	$'000	$'000
Assets recognised in the statement of financial position –		
Pension scheme	256,186	216,383
Amounts recognised in profit or loss –		
Pension scheme	6,958	1,779
Amounts recognised in other comprehensive income –		
Pension scheme	(30,922)	29,682

(a) The Bank operated a defined-contribution pension scheme for the former employees of The National Development Bank of Jamaica Limited (NIBJ); it was administered by an insurance Bank. Benefits to retired members were based on employee and employer contributions, bonuses and interest credited. The assets of the scheme were held independently of the Bank's assets in separate trustee-administered funds. Approval for the winding up of the scheme was received from the Financial Services Commission in June 2012, and, following an actuarial valuation done as at June 2012, all members entitled to benefits received them in the form of annuities secured through an insurance Bank. After the distribution to members, a surplus of approximately J$32 million remains and is to be paid to the employer.

(b) As a result of the merger of (NIBJ) and the Bank on September 1, 2006, the employees of NIBJ were transferred to the Bank and became members of the Development Bank of Jamaica (DBJ) Pension Scheme. Permission was sought from, and granted by, the FSC for the transfer of the plan assets and benefit obligations of the NIBJ Scheme and the subsequent winding up of that Scheme, effective as of the merger date

18. Employee Benefit Assets (Continued)

(c) The Bank has a defined-benefit scheme, which is administered by Trustees appointed by the Bank and by an employee-appointed trustee. The scheme, which is open to all full time, permanent employees, is funded by employer and employee contributions of 6.9% and 5% of pensionable salaries, respectively. In addition, the employees may voluntarily contribute a further 8.1% of pensionable salaries. The pensionable amount of annual pension on retirement at normal retirement date shall be that pension equal to 2% of the member's final pensionable salary multiplied by his years of pensionable service, plus such amount as may be determined by the actuary to be the pension equivalent of any voluntary contributions, accumulated with interest computed to the date of retirement, standing to the credit of the member on the date the pension is to commence. The funding valuation of the scheme as at 31 December 2012 had a past service surplus of $195,517,000.

The amounts recognised in the statement of financial position are determined as follows:

	2016 $'000	2015 $'000
Present value of funded obligations	(1,011,424)	(852,114)
Fair value of plan assets	1,267,610	1,068,497
Assets in the statement of financial position	256,186	216,383

The movement in the defined benefit obligation over the year is as follows:

	2016 $'000	2015 $'000
Balance at beginning of year	852,114	718,307
Current service cost	36,785	32,481
Interest cost	83,208	69,873
Re-measurements -		
Experience losses	65,374	62,024
Members' contributions	10,024	8,632
Transfer in	2,224	-
Benefits paid	(38,305)	(39,203)
Balance at end of year	1,011,424	852,114

18. Employee Benefit Assets (Continued)

The movement in the defined benefit asset during the year is as follows:

	2016 $'000	2015 $'000
Balance at beginning of year	1,068,497	951,757
Interest income	101,567	90,144
Re-measurement -		
Return on plan assets, excluding amounts included in interest income	96,296	32,342
Transfer in	2,224	-
Contributions	37,331	33,457
Benefits paid	(38,305)	(39,203)
Balance at end of year	1,267,610	1,068,497

The amounts recognised in profit or loss in the statement of comprehensive income is as follows:

	2016 $'000	2015 $'000
Current service cost	25,317	22,050
Interest costs	83,208	69,873
Interest income	(101,567)	(90,144)
Total, included in staff costs (Note 7)	6,958	1,779

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18. Employee Benefit Assets (Continued)

Plan assets are comprised as follows:

	2016			
	Quoted	**Unquoted**	**Total**	
	$'000	**$'000**	**$'000**	**%**
Unitised investments	-	37,569	37,569	3.0
Government of Jamaica bonds	-	696,674	696,674	54.9
Corporate bonds	-	82,149	82,149	6.5
Resale agreements and CDs	-	65,653	65,653	5.2
Real estate	-	112,933	112,933	8.9
Equity securities	268,048	-	268,048	21.1
Net current assets	-	4,584	4,584	0.4
	268,048	999,562	1,267,610	100

	2015			
	Quoted	**Unquoted**	**Total**	
	$'000	**$'000**	**$'000**	**%**
Unitised investments	-	23,863	23,863	2.2
Government of Jamaica bonds	-	681,859	681,859	63.8
Corporate bonds	-	20,006	20,006	1.9
Resale agreements and CDs	-	80,943	80,943	7.5
Real estate	-	71,987	71,987	6.7
Equity securities	182,652	-	182,652	17.1
Net current assets	-	7,187	7,187	0.8
	182,652	885,845	1,068,497	100

18. Employee Benefit Assets (Continued)

Expected contributions to the post-employment plan for the year ending 31 March 2016 are $37,331,000 (2015 - $33,457,000).

Movements in the amounts recognised in the statement of financial position:

	2016 $'000	2015 $'000
Assets at beginning of year	216,383	233,450
Amounts recognised in profit or loss in the statement of comprehensive income	(6,958)	(1,779)
Amounts recognised in other comprehensive income	30,922	(29,682)
Contributions paid	15,839	14,394
Assets at end of year	256,186	216,383

The significant actuarial assumptions used were as follows:

	2016	2015
Discount rate	9.0%	9.5%
Future salary increases	6.0%	6.5%
Expected pension increase	2.25%	2.0%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 60.

18. Employment Benefit Assets (Continued)

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on post-employment obligations		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
		$'000	**$'000**
Discount rate	1%	912,762	1,138,700
Future salary increases	1%	1,036,488	983,409
Expected pension increase	1%	1,102,123	920,991

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

19. Intangible Assets

	Computer Software $'000
At Cost -	
At 1 April 2014	13,326
Additions	3,043
At 31 March 2015	16,369
Additions	1,313
31 March 2016	17,682
Depreciation -	
At 1 April 2014	7,650
Charge for the year	3,832
At 31 March 2015	11,482
Charge for the year	3,966
31 March 2016	15,448
Net Book Value -	
31 March 2016	2,234
31 March 2015	4,887

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20. Property, Plant and Equipment

	Freehold Land and Buildings $'000	Furniture, fixtures, plant and equipment $'000	Motor Vehicles Furniture & Equipment $'000	Computer Equipment $'000	Total $'000
Cost/Valuation					
At 1 April, 2014	755,684	208,772	41,582	44,676	1,050,714
Additions	1,176	8,327	12,672	4,788	26,963
Revaluation	36,145	-	-	-	36,145
Disposals	-	-	(9,488)	-	(9,488)
At 31 March 2015	793,005	217,099	44,766	49,464	1,104,334
Additions	-	12,535	10,492	3,370	26,397
Disposals	-	(92)	(2,119)	(3,616)	(5,827)
Revaluation	20,877	-	-	-	20,877
At 31 March 2016	813,882	229,542	53,139	49,218	1,145,781
Accumulated Depreciation -					
At 1 April, 2014	81,939	144,063	30,295	28,273	284,570
Charge for the year	12,483	15,091	4,055	5,975	37,604
Disposals	-	-	(8,751)	-	(8,751)
At 31 March 2015	94,422	159,154	25,599	34,248	313,423
Charge for the year	12,089	11,707	7,012	6,423	37,231
Disposals	-	(80)	(4,340)	(3,552)	(7,972)
At 31 March 2016	106,511	170,781	28,271	37,119	342,682
Net Book Value -					
31 March 2016	707,371	58,761	24,868	12,099	803,099
31 March 2015	698,583	57,945	19,167	15,216	790,911

The Bank’s freehold land and buildings, with a historical cost of $96,116,000 (2015 – 96,116,000), were last revalued in December 2014 at $717,908,000 on the basis of an open market valuation, by independent professional valuers. The excess of valuation over the carrying value of freehold land and buildings of $20,878,000 (2015 – 36,145,000) has been credited to other comprehensive income (included in revaluation reserve) (Note 24).

21. Loans Payables

	Interest Rate %	31 March 2015 $'000	New Loans/ Adjustments $'000	Transaction Costs/ Repaid $'000	Exchange differences /Interest Capitalised $'000	31 March 2016 $'000
(a) Government of Jamaica (GOJ)						
(i) Ministry of Mining and Energy	-	120	-	-	-	120
(ii) Ministry of Finance and Planning ("MOF&P")						
Caribbean Basin Initiative Loan 1993/2003	3.00	3,333	-	(3,333)	-	-
(1) International Fund for Agricultural Development 1988/2002	4.00	3,021	-	-	-	3,021
(2) Inter – American Development Bank 1991/2018	4.00	31,750	-	-	-	31,750
(3) International Bank for Reconstruction and Development 1994/2001	2.82	1,132,122	-	-	68,872	1,200,994
(iii) United States Agency for International Development Energy Credit Fund	3.00	5,013	-	(5,013)	-	-
(iv) MOF – Dairy Sector	-	110,978	-	(750)	-	110,228
(v) MOF – US$29.03M	6.00	2,724,374	-	(94,745)	164,782	2,794,411
(vi) MOF Advance	-	1,945	-	-	-	1,945
(vii) GOJ – Citrus Growers	-	60,000	-	-	-	60,000
(viii) GOJ- YEP Programmes	-	2,595	-	-	-	2,595
(ix) World Bank Energy						
(1) MOF&P – US$1.9M loan	1.19	220,498	-	-	13,414	233,912
(2) MOF&P – US$1.3M loan	6.00	152,960	225,202	-	-	378,162
(x) MOF&P (FCGP) - US$50M loan	6.00	-	712,712	-	-	712,712
Total GOJ loans		4,448,709	937,914	(103,841)	247,068	5,529,850

21. Loans Payables (Continued)

	Interest Rate	31 March 2015	New Loans/ Adjustments	Transaction Costs/ Repaid	Exchange differences /Interest Capitalised	31 March 2016
	%	$'000	$'000	$'000	$'000	$'000
(b) Direct Borrowing						
(ix) Micro Investment Development Agency	-	491	-	(491)	-	-
(x) IBRD US$P.I.E.D. Line of Credit	2.82	71,192	-	-	4,331	75,523
(xi) OFID	6.3477	52,293	-	(52,293)	-	-
(xii) Caribbean Development Bank 2002/2020:						
30ORJ		-	683,140	(2,522)	30,806	711,424
26ORJ	2.97	1,556,884	-	(200,100)	88,362	1,445,146
11SFR/ORJ	2.97	174,488	-	-	10,615	185,103
20SFR/ORJ	2.5	897,339	-	-	54,589	951,928
(xiii) European Community	1.00	97,129	-	(8,157)	10,138	99,110
(xiv) Jamaica Development Bank						
- Loan I	4.00	6,738	-	-	-	6,738
- Loan II	4.00	139,000	-	-	-	139,000
- Loan III	3.00	54,515	-	-	3,317	57,832
- Loan IV	4.00	376,948	110,967	-	-	487,915
(xv) NHT Surehop	-	77,780	-	-	-	77,780
(xvi) GOJ NIF	4.00	424,447	404,629	(88,277)	-	740,799
Balance c/f – Direct borrowing		3,929,244	1,198,736	(351,840)	202,158	4,978,298

21. Loans Payables (Continued)

	Interest Rate	31 March 2015	Net interest payable movement	New Loans/ Adjustments	Transaction Costs/ Repaid	Exchange differences /Interest Capitalised	31 March 2016
	%	$'000		$'000	$'000	$'000	$'000
(b) Direct Borrowing (continued)							
Balance b/f – Direct borrowing		3,929,244	-	1,198,736	(351,840)	202,158	4,978,298
(xvii) Petro Caribe Loan:							
(1) US$19.6M loan	4.00	1,833,214	-	500,533	(283,402)	228,819	2,279,164
(2) US$40.0M loan	2.50	1,712,213	-	821,151	(41,777)	10,438	2,502,025
(3) J$1.7B loan	2.50	1,027,008	-	-	(1,027,008)	-	-
Total direct borrowing		8,501,679	-	2,520,420	(1,704,027)	441,415	9,759,487
Total loans payable (see below)		12,950,388	-	3,458,334	(1,807,868)	688,483	15,289,337
Interest payable		1,344,072	171,491	-	-	-	1,515,563
		14,294,461	171,491	3,458,334	(1,807,868)	688,483	16,804,900

Analysis between current and non-current portions

	2016	2015
	$'000	$'000
Portion due for repayment within a year of the reporting date	3,039,645	3,827,074
Portion payable thereafter	12,249,692	9,123,315
Total loans payable	15,289,337	12,950,389

Notes to the Financial Statements

31 March 2016

(expressed in Jamaican dollars unless otherwise indicated)

21. Loans Payable (Continued)

(a) Government of Jamaica

In a letter dated January 31, 1985, the Government of Jamaica ("GOJ") agreed to bear the exchange risk on loans negotiated and on-lent to the company by the Ministry of Finance and Planning ("MOF& P"). The loans which are covered by the agreement were on-lent to the company (and are repayable to the Government) in Jamaica dollars. The repayment to the GOJ is usually done by an off-set against certain amounts due to the Company by the GOJ.

(i) This represents funds received for lending via the People's Co-operative Banks to establish a Biogas Programme.

(ii) These loans represent the GOJ contribution to the company in accordance with certain agreements. Regarding loan (a)(ii)(4), the International Bank for Reconstruction and Development (IBRD) agreement recommends that the debt/equity ratio does not exceed four times its equity. At March 31, 2016, the financial position of the company disclosed a ratio of 1.6:1 (2015 - 1.5:1).

(iii) The Energy Credit Fund (ECF) is sponsored jointly by the GOJ and the United States Agency for International Development (USAID) and is managed by the company. GOJ's contribution represents counterpart funds to those provided by USAID for the ECF. Contributions to date by the sponsors are as follows:

	2016	2015
	$'000	$'000
Government of Jamaica	-	3,904
USAID funds on – lent by GOJ	-	1,109
Total financing for Energy Credit Fund	-	5,013

The Government's contribution bears interest at a rate of 2% per annum for 10 years which commenced in March 1984, and 3% thereafter. It is repayable in twenty-one equal semi-annual instalments and will be included in the debt off-set between the company and the MOF&P.

USAID's contribution bears interest at 2% per annum for 10 years, which commenced in January 1986, and 3% thereafter. It is repayable in twenty-one equal semi-annual instalments which should have commenced January 1996. This amount was repaid during the year.

Notes to the Financial Statements

31 March 2016

(expressed in Jamaican dollars unless otherwise indicated)

21. Loans Payable (Continued)

(a) Government of Jamaica (continued)

(iv) This is a loan from the Ministry of Agriculture (MOA) which was on-lent to the National Peoples Cooperative Bank (NPCB) for on-lending at 1% to the Dairy Sector. The company does not pay interest on the loan, and does not charge interest on the amount on-lent.

(v) This loan was made by the Ministry of Finance to NIBJ to facilitate investment in the development of Jamaica's South Coast through Ackendown Newtown Development Company Limited (ANDCO). The loan bears interest at a rate of 6% per annum and is to be repaid in 20 equal instalments on June 30 and December 31 each year. The current portion is being repaid to the Government of Jamaica.

(vi) This advance from the GOJ is interest free with no stated repayment date.

(vii) This loan was obtained from GOJ to be used for working capital purposes by the Jamaica Citrus Growers Association Limited. The principal amount is to be repaid in monthly instalments after a 3-month moratorium. The interest rate is fixed at 6%. No interest is charged by the company on the amount on-lent.

(viii) This amount represents funds received from the GOJ for its Young Entrepreneurs Programme, which is an initiative of the GOJ to provide training and funding for school leavers at high and tertiary levels to develop small businesses. No interest is charged by the company on the amounts on-lent.

(ix) (1) This represents the J$ equivalent of the amount of US$1,916,650, being the amount drawn down up to the reporting date out of a loan of US$4,600,000 from the Government of Jamaica, which on-lent money borrowed from the World Bank for the Energy Security and Efficiency Enhancement Project being managed by the company. Under the terms of the sub-loan:

- Interest is payable at the rate of 6-month LIBOR plus a variable spread computed by MOF&P, after a moratorium of one year from the date of disbursement; and

- Principal is repayable in 49 instalments on March 15 and September 15, commencing March 15, 2016 and ending March 15, 2040.

(2) Loan amount of US$1,329,587 was drawn down during the year on the loan of US$4,600,000. The Government of Jamaica bears the foreign exchange risk on this portion of the loan.

(x) The MOF&P has entered into an a loan agreement with the International Bank for Reconstruction and Development referred to as the World Bank to fund the Foundation for Competitiveness and Growth (FCGP). The PIOJ is the project execution unit; the DBJ carries out the credit functions for small medium enterprises (SME's). The GOJ bears the foreign exchange risk on the loan.

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(expressed in Jamaican dollars unless otherwise indicated)

21. Loans Payable (Continued)

(b) Direct borrowings

(ix) This loan represents sums received under an agency agreement between Micro Investment Development Agency Limited (MIDA) and the company. The loan has no fixed repayment date but is repayable based on collections from NPC Banks. No interest is charged by the company on the amount on-lent. The Loan was repaid during the year.

(x) This represents funds borrowed by GOJ under the International Bank for Reconstruction & Development (IBRD) US dollar Private Investment and Export Development (PIED) Line of Credit and on-lent to the company for on-lending to private enterprises to support the development of export of goods and services. It bears interest at the rate of 2.82% per annum and this amount will be settled as part of the debt off-set by the company and the MOF&P.

(xi) This loan represents funds borrowed from OFID to on-lend to foreign-exchange-earning projects through Approved Financial Institutions. This loan is being repaid semi-annually with final payment in June 2015. It bears interest at the rate of 6.3477% per annum and is guaranteed by the Government of Jamaica. This Loan was repaid during the year.

(xii) These loans, negotiated by the company, are denominated in United States dollars and are repayable in 2020. The Government of Jamaica has undertaken to bear the exchange risk associated with the CDB loans except for the 26 ORJ and 30 ORJ loans, the exchange risk on which is borne by the company.

(xiii) This represents the balance of Euro 1,629,099 drawn down under an ECU 1.86 million line of credit granted under a Financing Contract dated April 2, 1986, between the company and the European Community. The loan bears interest at the rate of 1% per annum, and is repayable in 60 semi-annual instalments, the first of which was due on October 1, 1995. The loan is guaranteed by the Government of Jamaica

(xiv) Loan I is unsecured, bears interest at 10% per annum and is repayable on demand.

Loan II is unsecured, bears interest at 8% per annum and is repayable on demand.

Loan III is unsecured, bears interest at 8.75% per annum and is repayable on demand.

Loan IV is unsecured, bears interest at 10% per annum and is repayable on demand.

(xv) This represents the balance of amounts drawn down, together with interest capitalized, from National Housing Trust (NHT). The amount has been on-lent to sugar workers for the development of three hundred and ninety five (395) housing benefits under the Sugar Housing Redundancy Programme. The loan has no fixed repayment date and, with effect from February 28, 2007, interest is no longer charged thereon.

Under the terms of the loan agreement, NHT is to provide mortgages to all purchasers of lots who qualify for loans in accordance with the requirements of NHT. The loan financing, together with interest accrued, is to be converted to mortgages to the extent that the purchasers qualify.

NHT is also to purchase from the company, the lots not taken up by sugar workers. The proceeds of the mortgages and the sale of lots to NHT are to be applied to reduce the loan amounts. Any amount of the loan remaining thereafter is to be converted to a mortgage to be repaid by the company.

21. Loans Payable (Continued)

(b) Direct borrowings (continued)

(xvi) This amount represents the balance of amounts drawn down under a loan facility of $450 million received from the National Insurance Fund (NIF) for on-lending to small and medium enterprises (SME). The loan bears interest at a rate of 4% p.a., and is repayable in March 2020.

(xvii) (1) This represents the balance of amounts drawn down under a US$ loan from the PetroCaribe Development Fund to provide financing to the productive sector. Interest is payable semi-annually at a rate of 4% per annum. The loan matures in December 2025.

(2) This represents the balance of amounts draw down under a loan from PetroCaribe Development Fund, specific to the Information Communication and Technology Sector (ICT) for the construction of ICT/BPO facilities. It bears interest of 2.5% per annum, paid quarterly over a 15 year period and matures in 2026 with three years moratorium on principal.

(3) This represents amounts drawn under a loan from PetroCaribe Development Fund to provide financing to Small and Medium Enterprises (SME) and the energy sector. Interest is payable semi-annually at a rate of 4% per annum. The loan which matured in December 2015 was repaid.

22. Other Liabilities

	2016	2015
	$'000	$'000
Due to related entities	391,220	389,186
Accrued charges	66,617	59,343
Statutory deductions	6,937	7,053
Other	35,835	41,776
	500,609	497,358

23. Share Capital

	2016	2015
	$'000	$'000
Authorised -		
1,757,539,000 Ordinary shares	1,757,539	1,757,539
Issued and fully paid, no par value -		
1,757,539,000 Ordinary shares at no par value	1,757,539	1,757,539

In accordance with Section 39(7) of the Jamaican Companies Act, 2004, share premium of $98,856,000 is not included in the Bank's stated capital.

24. Capital Reserves

	2016	2015
	$'000	$'000
Funds for capital	1,179,817	1,179,817
Government subvention	83,180	83,180
Self-Supporting Farmers Development Programme	15,941	15,941
Capital grants	26,042	776
Other capital reserves – NIBJ	139,336	139,336
Capital distribution	(212,619)	(212,619)
	1,231,697	1,206,431

(a) Funds for capital

This includes amounts totalling $450 million and $500 million received during the years ended March 31, 1999, and March 31, 2009, respectively, from the Government of Jamaica through the Capital Development Fund, as equity injections to finance the company's lending programmes.

(b) Government subvention

This represents the Government of Jamaica contribution to the company, of funds received from the Canadian International Development Agency.

(c) Self-Supporting Farmers Development Programme

This represents the balance of amounts recovered by the company and capitalised as equity under the terms of the agency agreement.

Under the terms of an Agency Agreement, dated 27 May 1982, between the company and the Government of Jamaica in relation to the Self-Supporting Farmers Development Programme (SSFDP), it was agreed that:

(i) All assets be transferred to the company.

(ii) The portfolio be analysed and administered by the company. Reasonable steps should be taken to recover loans determined at that time to be doubtful.

(iii) All loan recoveries be utilised to assist in the capitalisation of the company and such recoveries be employed in carrying out the functions of the company including the granting of loans direct to farmers for agricultural purposes only.

The portfolio of SSFDP previously administered by the company was transferred to the People's Co-operative Banks (PCB) in 1997 as a contribution to the equity of those banks. This balance represents collections under the SSFDP portfolio prior to the portfolio being transferred to the PCB in 1997.

24. Capital Reserves (Continued)

(d) Capital grants

	2016	2015
	$'000	$'000
At beginning of year	776	862
Less: Amortised during the year	(776)	(86)
Add: Received during the year	26,042	-
At end of year	26,042	776

These represent the EUR 200,000 received from the European Investment Bank (EIB) for the provision of Technical Assistance (TA) funding to microfinance sector.

(e) Other capital reserves

This represents gain on the sale of investments and rights issue, as well as capital grants, transferred from NIBJ.

25. Other Reserves

	2016	2015
	$'000	$'000
Fair value reserve	266,683	289,154
General reserve – Equalisation Fund	957,597	957,597
Revenue reserve	2,539,391	2,539,391
Special reserve	3,123	3,123
Revaluation	698,874	677,997
Credit Enhancement Facility Fund reserve	425,122	396,389
Technical assistance reserve	363,739	448,047
Employee benefits reserve	(57,613)	(88,535)
	5,196,916	5,223,163

25. Other Reserves (Continued)

(a) Fair value reserve

This represents unrealised gain in fair value of available-for-sale securities made up as follows:

	2016	2015
	$'000	$'000
At beginning of year	289,154	79,224
Loss on GOJ Bonds during the year	(22,471)	209,930
At end of year	266,683	289,154

(b) General reserve - Equalisation Fund

This reserve was established to absorb exchange losses on loans denominated in foreign currency which were negotiated directly by the company. A minimum of 20% of profit for the year (after crediting exchange gains but before crediting profits from other transfers) was transferred to the reserve. No transfer was made during the year as the loan to which the requirement for this transfer applies has been repaid.

(c) Revenue reserve

This represents an accumulation of a minimum of 40% of profits transferred over the years (after other transfers) to this reserve.

The company transferred $250 million from this reserve to the Credit Enhancement Facility Fund during 2010, which was used as start up capital for the Fund.

25. Other Reserves (Continued)

(d) Special reserve

	Technical Assistance		Exchange Equalisation		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Balance at beginning of year	-	4,809	3,123	3,123	3,123	7,932
Transfers from retained earnings	-	(4,809)	-	-	-	(4,809)
Balance at end of year	-	-	3,123	3,123	3,123	3,123

(i) Technical assistance

The maintenance of this reserve was a requirement of a lending agreement between the company and the European Investment Bank [note 27(b) (xiv)], which provided, during the period of the lending agreement, for the annual transfer to a special reserve of a portion of the interest differential on loans funded from the loan proceeds. This loan has been repaid, no further transfers are being made, and the reserve was used on a discretionary basis to provide technical assistance to entrepreneurs who do not otherwise qualify for financial support from the company.

(ii) Exchange equalisation

The maintenance of this reserve was a requirement of a lending agreement between the company and the European Investment Bank [note 27(b) (xiv)] which provided, during the period of the lending agreement, for the annual transfer to the exchange equalisation account of a portion of the interest differential on loans funded from the proceeds of the loan received under the lending agreement. This loan has been repaid and no further transfers are being made.

(e) Revaluation reserve

This represents unrealised surplus on the revaluation of land and buildings.

25. Other Reserves (Continued)

(f) Credit enhancement facility fund reserve

This represents funds transferred from reserve [note 31(c)] to be used as start up capital for the fund, plus Accumulated profit or loss from the fund (note 22), and is made up as follows:

	2016	**2015**
	$'000	**$'000**
Fund capital	250,000	250,000
Accumulated profit transferred – at beginning of year	146,389	115,828
– for the year (Note 16)	28,733	30,561
– at end of year	175,122	146,389
Total of Fund (Note 16)	425,122	396,389

25. Other Reserves (Continued)

(g) Technical assistance reserve

This represents the transfer from retained earnings of an amount equivalent to the discounted present value of the non-interest-bearing, 10-year note issued by GOJ consequent on its assumption of the loans due from three GOJ-owned sugar companies and previously written-off by the company, as set out in note 21(a). The Board of Directors has decided that, together with certain funds from multilateral agencies, the cash received from GOJ under the note will be used as seed funding to strengthen various institutions. This will be monitored by the Institutional Strengthening and Research Division.

	2016	2015
	$'000	$'000
Original amount assumed by the GOJ	1,004,168	1,004,168
Imputed interest	(345,056)	(345,056)
Original amount transferred from retained earnings	659,112	659,112
Interest transferred from retained earnings - Previously	46,060	33,410
- During year	69,389	12,650
- To date	115,449	46,060
Gross accumulated resources at end of year	774,561	705,172
Utilised - Previously	257,125	122,736
- During year	153,697	134,389
- To date	410,822	257,125
Net at end of year	363,739	448,047

(h) Employee benefits asset reserve

This represents the cumulative changes in the employee benefits asset recognised in other comprehensive income.

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26. Dividends

	2016	2015
	$'000	$'000
Interim dividends -		
2.13 cents per stock unit – 3 November 2014	-	37,430
3.15 cents per stock unit – 6 October 2015	55,409	-
	55,409	37,430

27. Related Party Transactions and Balances

(a) Definition of related party

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 Related Party Disclosure as the "reporting entity" in this case the Bank).

(i) A person or a close member of that person's family is related to the Bank if that person:

(1) has control or joint control over the Bank;

(2) has significant influence over the Bank; or

(3) is a member of the key management personnel of the Bank or of a parent of the Bank.

(ii) An entity is related to the Bank if any of the following conditions applies:

(1) the entity and the Bank are members of the same Bank (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(2) one entity is an associates or joint venture of the other entity (or an associate or joint venture of a member of a Bank of which the other entity is member);

(3) both entities are joint venture of the same third party;

(4) one entity is a joint venture of a third entity and the other entity or an associate of the third entity;

(5) the entity is a post-employment benefit plan for the benefit of employees of either the Bank or an entity related to the Bank;

(6) the entity is controlled or jointly controlled by a person identified in (i) and;

(7) a person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent entity).

A government related entity is an entity that is controlled, jointly controlled or significantly influenced by a government.

A related party transaction is a transfer of resources, services or obligations between the Bank and a related party, regardless of whether a price is charged.

27. Related Party Transactions and Balances (Continued)

(b) Related party transactions

The following transactions were carried out with government related entities and associated companies:

	2016	2015
	$'000	$'000
(i) Other income:		
Other income – rental: Government related entities	81,073	71,801

	2016	2015
	$'000	$'000
(ii) Other expenses:		
Administrative fees : Government related entities	15,116	16,868

(c) Key management personnel compensation

Key management personnel comprise those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly, including the Directors and the members of the senior or executive management of the Bank.

	2016	2015
	$'000	$'000
Salaries and other short- term employee benefits	96,086	83,815
Statutory payroll contributions	5,755	5,048
Pension benefits	3,185	2,945
	105,026	91,808
Directors' emoluments:		
Fees	1,181	1,046
Management remuneration		
(included above)- current year	15,839	15,703

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27. Related Party Transactions and Balances (Continued)

(d) Related party transactions

	2016	2015
	$'000	$'000
(1) Loans:		
Government related entities		
Associated companies	964,326	828,621
(2) Interest receivable:		
Associated companies	319,918	319,918
(3) Staff loans receivable	14,913	18,161

28. Contingencies and Commitments

(a) As at March 31, 2016, there were outstanding commitments to disburse loans totalling approximately J$606 million and US$37 million (2015 - J$1,051 million and US$30 million).

(b) The Bank had capital commitments, in respect of projects being undertaken, totalling approximately $10.8 million (2015 - $180.3 million).

(c) As lessee, the Bank has lease commitments under a non-cancellable 99 year operating lease for which the future minimum lease payments were, in relation to the reporting date, as follows:

	2016	2015
	$'000	$'000
Not later than one year	288	288
Later than one year and not later than five years	1,152	1,152
Later than five years	23,328	23,616
	24,768	25,056

28. Contingencies and Commitments (Continued)

The Bank is subject to various claims, disputes and legal proceedings in the ordinary course of business. Provision is made for such matters when, in the opinion of management and its legal advisors, (1) it is probable that a payment will be made by the Bank, and (2) the amount can be reasonably estimated.

The Bank has not provided for those claims against it in respect of which management and legal counsel are of the opinion that they are without merit, can be successfully defended, or will not result in material exposure to its financial position.

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