



DIRECTORS' REPORT & FINANCIAL STATEMENTS 2013



Local strength ... Global reach



The crest of the
Jamaica National Building Society
symbolises the organisation's commitment
to uphold the honour, values and tradition
of the Society; as well as its vow to help its
members "find a way".



JNBS is the first financial institution in Jamaica
to be ISO 9001:2008 certified

Mission Statement

We are a mutual organisation
satisfying our members and customers
with a competitive range of savings, mortgage loans,
financial and other services,
directly and through our subsidiaries.



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Notice of Annual General Meeting

Notice is hereby given that the 139th Annual General Meeting of Shareholders of The Jamaica National Building Society will be held at the Jamaica Pegasus Hotel in the parish of Saint Andrew at 4 o'clock in the afternoon of Wednesday August 14, 2013.

The following items of business will be considered:

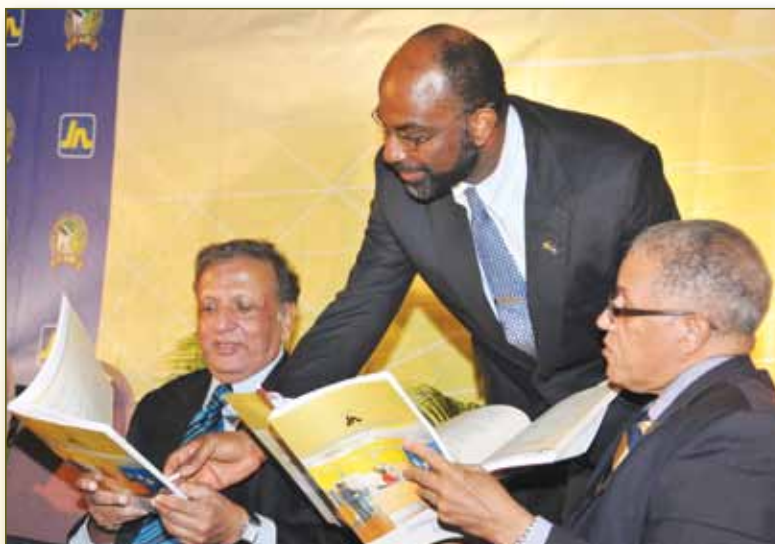
1. To receive, consider and adopt the following:
 - i) The Directors' Report for the year ended March 31, 2013.
 - ii) The Statement of Accounts for the year ended March 31, 2013.
 - iii) The Auditors' Report for the year ended March 31, 2013.
2. To elect Directors.
3. To appoint Auditors.
4. To transact any other business permissible by the Rules at an Annual General Meeting.

By Order of the Board

Dated this July 10, 2013



Byron Ward
Secretary
2-4 Constant Spring Road
Kingston 10
Jamaica, W.I.



Voting Procedures

36(a) Qualification and Method of Voting at Meetings of Members

Every question submitted to any meeting of members shall be decided by a simple majority of votes and such votes shall be taken in the first instance by a show of hands, upon which the decision of the Chairman of the meeting shall be final. A Poll may (before or on the declaration of the result of the show of hands) be demanded by:

- i. The Chairman of the meeting or
- ii. at least ten members who are entitled to vote at the meeting and are present in person or by proxy, and in the event of such a demand it shall forthwith be taken by ballot, counting or otherwise as the Chairman may decide and then every member qualified to vote shall have one vote and if there is an equality of votes the Chairman shall give the casting vote in addition to his vote as a member. In case of shares held jointly, only the person whose name appears first on the account shall be entitled to vote and all communications of any kind shall be sent to that person.

36(b) Voting by Proxy

- i. Votes may be given personally or, subject to the ensuing provisions of this paragraph, by General Proxy or Special Proxy.

36(d) Personal Interest

No member shall vote either personally or by Proxy on any question in which he shall have a personal interest distinct from the other members.

36(e) Misbehaviour of Members

In case of gross misbehaviour on the part of a member or of disobedience to the ruling of the Chairman at any meeting, the members present shall have power by their votes to deprive the offender of his right of voting at that meeting.

36(f) Counting of Votes

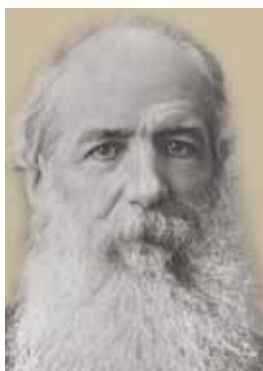
If on a show of hands or on a Poll:

- i. any votes are counted which ought not to have been counted, or
- ii. any votes are not counted which ought to have been counted,

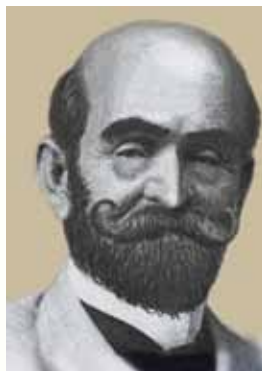
the error shall not vitiate the decision arrived at unless it shall, in the opinion of the Chairman, be of sufficient magnitude so to do.

Extracted from the Book of Rules.

Founders



Reverend Henry Clarke
Founder of the Westmoreland Building Society (1874)



Reverend Josias Cork
This photograph is believed to be that of the Rev. Josias Cork, founder of the St Ann Benefit Building Society (1874)



John E. Kerr
Chairman of the St James Building Society from 1883 to 1903. The Society was founded in 1874



J.H. Allwood
Solicitor and founder of the Brown's Town Building Society (1893)



John Gerrard Marchalleck, JP
One of the two persons spearheading the move from the St Thomas Mutual Building Society, which had its first meeting on June 1, 1897



Reverend Edwin James Touzalin, JP
Founder of the St Mary Benefit Building Society (1915)



Ernest Clark
One of the founders and first Chairman of the Manchester Mutual Building Society (1955)

Mergers & Acquisitions

Westmoreland Building Society
(founded August 13, 1874)

1967
Manchester Mutual Building Society

1970
St James Benefit Building Society
Brown's Town Benefit Building Society
St Ann Benefit Building Society

December 1970
Change of name to
The Jamaica National Building Society

1976
St Thomas Mutual Building Society

1977
Jamaica Permanent Building Society

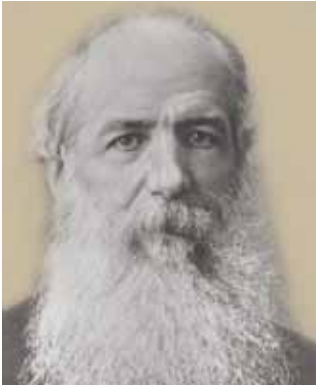
1983
St Mary Benefit Building Society

1996
Hanover Benefit Building Society

2001
Jamaica Savings & Loans Building Society

Chairpersons & General Managers

Chairpersons



Reverend Henry Clarke
1874 -1907



Hugh Clarke
1907 -1944



Eric Clarke
1944 -1966



J. Osmond H. Hudson Snr.
1966 -1976



Keith Francis, JP
1997 -2002



Hon. Oliver Clarke, OJ,
Hon. LL.D., BSc (Econ), FCA, JP
1977 -1997 & 2002 -Present

General Managers



Lancelot Reynolds
1976 -1999



Earl Jarrett, CD, Hon. LL.D, JP
1999 - Present

All the Chairmen, with the exception of Mr Keith Francis, were also General Managers.



Board of Directors



Hon. Oliver F. Clarke, OJ, Hon. LL.D., JP
BSc (Econ), FCA
Chairman

The Hon. Oliver F. Clarke worked with the Jamaica National Building Society as Assistant General Manager, and then as General Manager from 1971 to 1976. He held the position of Chairman of JNBS for two decades from 1977 to 1997 and served as Deputy Chairman from 1997 until 2002, when he was reappointed Chairman.

Mr. Clarke is the Chairman of JN General Insurance Company Limited, (formerly NEM Insurance Company (JA) Ltd.), and JN Money Services Ltd., the parent company of JN Money Services in the United States of America, Canada and the United Kingdom. He is also director of JN Small Business Loans Limited.

A Chartered Accountant, Mr. Clarke is Chairman and former Managing Director of The Gleaner Company Limited and past President of both The Private Sector Organisation of Jamaica (PSOJ) and The Inter American Press Association. Mr. Clarke is the Chairman of the Board of Trustees of the Contributory Pension Scheme for JNBS and its subsidiary companies.

In 1990 he received the Americas Award from the Americas Foundation and in 1996 the PSOJ inducted him into the Private Sector Hall of Fame. The American Foundation for The University of the West Indies recognised him as a Caribbean Luminary in 2004, and in April 2006, the American Friends of Jamaica awarded Mr. Clarke with its International Humanitarian Award.

In 2009, he was awarded an Honorary Degree of Doctor of Laws (Hon. LL.D) *honoris causa* from The University of the West Indies, and an Honorary Degree of Doctor of Laws (Hon. LL.D) *honoris causa* from the University of Technology.



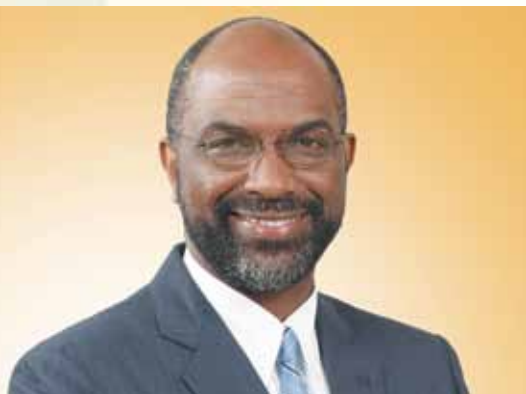
Dr. Dhiru Tanna, BSc (Econ), MA, PhD
Deputy Chairman

Dr. Dhiru Tanna has been a member of the JNBS Board since 1981 and Chairman of JN Fund Managers Ltd. since 2005. He is Chairman of the JNBS Board's Finance Committee.

A graduate of the University of London and the University of California, Berkeley, Dr. Tanna is an Economist. He is a former Director and Chairman of a number of Jamaican and West Indian companies. His career spans assignments in Uganda, the USA, Puerto Rico and several organisations in Jamaica, and other CARICOM states. Some of these entities include Neal & Massy Holdings Ltd., The University of the West Indies, Jamaica National Investment Co. Ltd. (JNIC) and Capital Development Fund. Dr. Tanna has served as a Director of the Development Bank of Jamaica since 2007. He is Executive Chairman of Blue Power Group Ltd., which was listed on the Junior Market of the Jamaica Stock Exchange in 2010.



Board of Directors



Earl Jarrett, CD, Hon. LL.D, JP
FCA, MSc (Accounting)
General Manager

Earl Jarrett was appointed General Manager of JNBS in October 1999. He joined the Society in 1997 as Executive with responsibility for Compliance and Overseas Subsidiaries. Mr. Jarrett is a member of the Society's Board and all its local and overseas subsidiaries, as well as the JNBS Foundation. He is the Chairman of the Jamaica Automobile Association (Services) Limited and the overseas subsidiary companies of JN Money Services Limited.

A Chartered Accountant and graduate of The University of the West Indies, Mr. Jarrett is:

- **Chairman**, Caribbean Association of Housing Finance Institutions (CASHFI); Jamaica Cancer Society; Jamaican Diaspora Foundation and Mona Geoinformatics Institute
- **Director**, The Gleaner Company's UK and North American Boards; Edna Manley College Arts Foundation
- **North America Regional Director**, Federation Internationale de l'Automobile (FIA)
- **Trustee**, FIA Foundation
- **Trustee**, Dudley Grant Memorial Trust and the YWCA Trust
- **Member**, National Council of Jamaica, Order of St John; The University of the West Indies Mona Campus Council

He is former Deputy Chairman of the Jamaica Tourist Board (JTB), former Council Member of the Institute of Chartered Accountants of Jamaica and past President of the Rotary Club of New Kingston. He has served as a member of the National Task Force on Political Tribalism and as Honorary Secretary of The Private Sector Organisation of Jamaica (PSOJ).

In 2008, Mr Jarrett received the Order of Distinction, in the rank of Commander (CD), by the Government of Jamaica, for service in the financial sector and the Pelican Award from The University of the West Indies Alumni, Florida Chapter, for outstanding work in business development among the Jamaican Diaspora in the USA.

In 2010, he was recognised by the American Foundation of The University of the West Indies as a recipient of the Caribbean Luminary Awards; awarded the Pelican Award from the Jamaican Chapter of The University of the West Indies Alumni, for his significant contribution to the development of the University and to Jamaica; and was conferred with the Doctor of Laws (LL.D) honoris causa by the University of Technology Jamaica.

In 2011, he received a second Doctor of Laws (LL.D) degree from The University of the West Indies. In 2012, Mr Jarrett was awarded the Kiwanis Club of New Kingston's Man of Excellence award and recognised as the Jamaica Institute of Management (JIM)/Gleaner 2011 Manager of the Year; and subsequently inducted as a JIM Fellow.

In March 2013, Mr Jarrett was appointed a member of the Electoral Commission of Jamaica. In 2013, he was also appointed an Officer of the Venerable Order of St. John (OSTJ).



Dr. Henry A. A. P. Brown, CD
MD, LRCP, LRCS

Dr. Henry Brown became a member of the Board in 1970 on the merger of the St. James Benefit Building Society with JNBS. He later resigned from the Board to pursue activities in representational politics. In 1989, following his retirement from active politics, he rejoined the JNBS Board. He has been recognised for his contribution to national life by the award of the Order of Distinction (Commander Class). Dr. Brown is a medical practitioner in Montego Bay, St. James.



Parris Lyew-Ayee, CD
BSc M.Eng.

Parris A. Lyew-Ayee joined the Board of Directors in June 2007, having previously served as a Director of NEM Insurance Company (Ja.) Limited, a subsidiary of JNBS. He has also been a Director of the JNBS Foundation since 2007. In April 2009, he was appointed Chairman, JN Small Business Loans Limited.

He is currently a member of the Boards of Directors of the Jamaica Bauxite Institute; Noranda St Ann Bauxite Partners Ltd.; Caribbean Cement Co. Ltd.; and the Mona GeoInformatics Institute. He is a member of the Campus Council, the Finance and General Purposes Committee, the Campus Audit Committee, and the Strategy and Policy Committee of the Mona Campus of The University of the West Indies.

Mr. Lyew-Ayee is a member and former President of the Geological Society of Jamaica, and a Council Member of the International Committee for Studies of Bauxites, Alumina and Aluminium (ICSIBA) and the Society of Mining Engineers of the American Institute of Mining, Metallurgical and Petroleum Engineers.

A geologist and mineral engineer, Mr. Lyew-Ayee is the Executive Director of the Jamaica Bauxite Institute. For his service to the bauxite/alumina industry in Jamaica throughout his career, the Government of Jamaica awarded him the Order of Distinction (Rank of Officer) in 1988, then the Order of Distinction (Rank of Commander) in 2007.



Board of Directors



William Mahfood, BSc., Hon. DPS

William Mahfood was appointed to the Board in July 2006. He holds the degree of Bachelor of Science in Industrial Engineering & Management Information Systems from Northeastern University, Boston, Massachusetts. Prior to joining the JNBS Board, Mr. Mahfood was a Director of JN Small Business Loans Ltd.

Mr. Mahfood joined the family business in 1988 and has been Managing Director of the Wisynco Group Ltd. since 1994. He is very active in outreach programmes in Spanish Town and its environs, as well as serving on boards of charitable organisations such as Food For The Poor and The Laws Street Trade Training Centre.

In August 2011, he was conferred with the Honorary Doctor of Public Service degree from the Northern Caribbean University.



Jennifer Martin, JP

Jennifer Alayne Martin, an Attorney-at-Law, has been a Director of the Board since the merger of the Jamaica Savings & Loan Building Society and the JNBS in 2001.

She served as Director of the Jamaica Savings & Loan Building Society from 1996 to 2001. Mrs Martin is a Director of the JNBS Foundation and a Trustee of the Contributory Pension Scheme for JNBS and its subsidiary companies.

A partner with the law firm, Robinson, Phillips & Whitehorne, with offices in Ocho Rios, St. Ann, Mrs Martin was admitted to practice as a Solicitor in Jamaica in 1970 and has extensive experience in conveyancing. She is a member of the Jamaican Bar Association and the Northern Jamaica Law Society.



Hon. Dorothy Pine-McLarty, OJ

The Hon. Dorothy Pine-McLarty has been a member of the Board since September 1998. She was the Chairperson of the Board of Trustees of the Contributory Pension Scheme for JNBS and its subsidiary companies and a Director of JN Money Services Limited.

A practicing Attorney-at-law for some 38 years, she retired from partnership of Myers, Fletcher & Gordon, but remains a Consultant. She served as the head of that firm's Property Department from 1992 to 1995 and was Managing Partner of the firm's London office from its inception in 1995 until June 1998. Admitted as a Solicitor of the Supreme Court of the United Kingdom in 1995, Mrs. Pine-McLarty serves on the Boards of several organisations including—the Jamaica Basic Schools' Foundation (United Kingdom) Limited. She is a member of the Board of Governors of the St. Andrew High School for Girls, the Chancellor's appointee to the Council of the University of Technology, Chairperson of the Access to Information Tribunal and an independent member of the Electoral Commission of Jamaica, formerly the Electoral Advisory Committee.

Mrs. Pine-McLarty was awarded the Order of Jamaica in October 2007 for outstanding public service.



Peter Morris, BSc (Hons.), MBA

Peter Morris was appointed to the JNBS Board in January 1993. He is a Director of JN Fund Managers Limited, JN General Insurance Company Limited (JNGI) and a member of the JNBS Finance Committee. Mr. Morris has a Bachelor's Degree in Economics from The University of the West Indies and an MBA in Finance from the Columbia University Graduate School of Business. He has more than twenty years of business experience at the management and Board level in Jamaica, the United Kingdom and the United States.



Board of Directors



John Small BA (Hons.), CQSW, FCMJ

John Small has been a Director of the Jamaica National Building Society since September 1998. He is a graduate of Bradford University, England and a Fellow of the Chartered Management Institute in the UK. Mr. Small is a former Deputy Director of Social Services for the London Borough of Hackney, England, former non-executive Director of North London University and former Lecturer, Department of Sociology, Psychology and Social Work, The University of the West Indies. He was Chairman of The Planning Institute of Jamaica's "Working Group on International Migration" and founder and first President of the National Association of Returning Residents. Mr. Small is a member of the Board of Governors of United Way of Jamaica and is a self-employed international consultant in the Management of Human Services.



Raphael Gordon, FCA (Ja), FCCA (UK), FCMA (UK), CGMA (UK & USA)

Raphael Gordon, retired Managing Partner of KPMG in Jamaica and Chairman of KPMG CARICOM, joined the Board of Directors in November 2009. A partner in KPMG from 1978 to 2008, Mr. Gordon has had responsibility for the audits of several public companies, statutory bodies, pension funds, manufacturing, distribution and agricultural businesses and financial and educational institutions. He has also served on public committees to examine money laundering, company law reform, and insolvency legislation, the Financial Administration and Audit Act and the Public Bodies Management and Accountability Act in Jamaica.

A Chartered, Certified and Global Cost and Management Accountant, Mr. Gordon is a former Chairman and Deputy Chairman of Caymanas Track Limited, a former Commissioner, The Casino Gaming Commission; a former member of the Air Jamaica Audit and Finance Committee and the EDP Auditors Association Inc., and is a current member of the Public Accountancy Board; past President of the Institute of Chartered Accountants of Jamaica (ICAJ) and a former Director of the Institute of Chartered Accountants of the Caribbean. He is a former Chairman and current Trustee of The Management Services Limited 2004 Pension Fund. He has also served as the Jamaican representative on the Association of Chartered Certified Accountants' International Assembly.

In recognition of his outstanding contribution to the accounting profession and development of the ICAJ, Mr. Gordon received the Institute of Chartered Accountants of Jamaica Distinguished Member Award in 2008.



Kathleen AJ Moss, BSc MBA CBV

Kathleen Moss is a Management Consultant and Chartered Business Valuator with Sierra Associates, an independent advisory and business valuation firm, which she established in 1993. She was appointed to the JNBS Board in November 2012. She has been a director of NEM Insurance Company Limited, now renamed JN General Insurance Company since 1996 and Deputy Chairman since 2000. Mrs Moss has been a member of the JNBS Group Audit Committee and Finance Committee since their inception in the mid 1990s.

Mrs Moss serves on the boards of Jamaica Producers Group, Assurance Brokers Jamaica, Pan Jamaican Investment Trust and Kingston Wharves. She chairs the audit committees of Jamaica Producers and Pan Jamaican and the Human Resources Committee of Kingston Wharves. Prior to establishing Sierra, Mrs Moss worked with the consultancy practice of Price Waterhouse. She is a trustee of the Violence Prevention Alliance, and a member of the Finance Committee of the Archdiocese of Kingston. Mrs Moss is a member of the Canadian Institute of Chartered Business Valuators and a graduate of The University of the West Indies and McGill University.



Byron Ward, LLB

Corporate Secretary and Legal Counsel

Byron Ward joined the Society in 1995. He functions as Corporate Secretary and Legal Counsel to the Society and several of its subsidiaries, and is the Secretary of the Contributory Pension Scheme for JNBS and Subsidiary Companies.

He is a graduate of The University of the West Indies and the Norman Manley Law School. He was admitted to practice as an Attorney-at-Law in 1983. Mr. Ward is a member of the Jamaican Bar Association.



Board of Directors



Rose Miller, BA Bus. Administration

Rose Miller joined the Jamaica National Building Society in 2003 as Administrative Assistant to the General Manager. She was appointed Manager, Mail and Courier in 2006 and also assumed responsibility for the Office Services Unit in 2009. She was transferred to the JNBS Foundation in June 2013 as Grants Manager.

She previously worked in the areas of administration and human resources in the securities, telecommunications, manufacturing and health insurance sectors. Mrs Miller holds a Bachelors Degree in Business Administration from the University College of the Caribbean.

She is a former member of the Jamaica Association of Administrative Professionals (JASAP) - Kingston Chapter 1993-2000 and a founding member of the JN Toastmasters Club.

Mrs Miller was awarded Secretary of the Year (1995/1996); Runner-up, All-Island Secretary of the Year (1995/1996); Runner-up, Secretary of the Year (1989/1990); and Outstanding Member (1992/93) by the Jamaica Association of Administrative Professionals (JASAP), Kingston Chapter.

She was the Business House Table Tennis Champion 2010 winning the Women's Single, Women's Doubles and Mixed Doubles Titles.

Mrs Miller is a Director of the New Generation Ministry, a member of the Portmore Lane Covenant Community Church (PLCCC), member of the PLCCC Fund Raising Committee, PLCCC Sunday School Teacher and Chairman of the PLCCC Evangelism Council. She is a former Director of the Covenant Christian Academy and Children's Centre and former Trustee, T. Geddes Grant Pension Scheme Ltd.

She was elected to the JNBS Board as Staff Director in November 2012.

Vision Statement

We are the premier provider of financial and other services, not only in Jamaica, but with certain products internationally. We are the institution of first choice against which other financial institutions in Jamaica are benchmarked.

Our image of excellence, trustworthiness and high standards is clearly etched in our philosophy and values, and reflected in the treatment of members, customers and the community. We have attained full mission, vision and goal congruence within JNBS and its subsidiaries.

We are an organisation enabled by cutting-edge technology, which allows us to deliver superior products and excellent service quickly and efficiently resulting in true customer satisfaction.

Our products and services are delivered through all channels.

We have a working environment which keeps staff happy and motivated. All the members of our team are knowledgeable and well qualified. Our staff members understand the JNBS philosophy and are committed to excellence in all areas of their work especially in the delivery of customer service.

We have established a clear understanding of the value of membership in the Society. The many special benefits that accrue to our ever-expanding group of loyal members have validated the concept of mutuality. We are well positioned to approach the future with confidence and continue to be vigorous participants in the development of Jamaica.



Corporate

The JNBS Board remains committed to ensuring that the highest standards of governance are maintained in all areas of the Society and its subsidiary companies. The Board provides leadership to the management team and monitors the activities of the JN Group through a well-established governance framework, on behalf of the members and other stakeholders to whom they are accountable.

External Regulators

JNBS, which is established under the Building Societies Act, is a licensed deposit-taking institution under the Bank of Jamaica (Building Societies) Regulations 1995 and is, therefore, regulated by the Bank of Jamaica. As a licenced Securities Dealer, the Society is also regulated by the Financial Services Commission. JNBS is also accountable to the relevant financial regulatory authorities overseas which grant licences for the Society to operate Representative Offices in the United Kingdom, United States of America and Canada. All of these external bodies have established regulations and timelines for compliance, and these requirements are adhered to by the Society and all entities within the Group.

The Board

The majority of the JNBS Board is made up of independent directors whose balance of qualifications, skills, expertise and experience help to ensure that the Society operates within stipulated ethical and legal guidelines, and that proper records and accountability standards are established, maintained, documented and audited. The Board reviews its composition each year in order to maintain the appropriate mix of experience and competence. Where it is considered that the Board would benefit from the services of a new director with particular skills, critical assessment of qualified candidates is conducted and the most suitable individual selected.

Attendance at Meetings

During the financial year, the Society had twelve Board meetings with attendance as follows:

- 12 Meetings were attended by seven Directors
- 11 Meetings were attended by one Director
- 10 Meetings were attended by two Directors
- 7 Meetings were attended by one Director
- 6 Meetings were attended by one Director
- 5 Meetings were attended by one Director who joined the Board in November 2012

Internal Controls

The Board reviews the business risks to which the Society may be exposed through integrated risk management programmes, which ensure that risks are identified, assessed and appropriately managed. Mechanisms are put in place to facilitate effective implementation of these programmes. At the management level, some of these systems include the following Committees:

- **Asset & Liability Committee**, comprising the General Manager, Chief Risk Officer and four members of Senior Management – ensures that liquidity, funding and interest rate risks are managed in accordance with the Society's strategic objectives and risk appetite established by the Board; evaluates and assesses the effect of market conditions and recommends action if necessary; ensures that an appropriate transfer pricing mechanism is in place; and recommends changes to the Society's Investment Policy.
- **Credit Committee**, comprising the General Manager, Chief Risk Officer and seven members of Senior Management – monitors the Society's credit risk management; monitors the effectiveness and administration of credit policies; monitors the performance and quality of the credit portfolio and identifies trends that may affect the portfolio; assesses adequacy of the provision for loan losses; and oversees the implementation of regulatory and accounting requirements.
- **Information Technology (IT) Steering Committee** comprising the General Manager, Chief Information Officer and seven members of Senior Management – provides strategic leadership for information technology (IT) through the alignment of IT objectives and activities with the Society's strategic objectives; leads the IT governance, risk and control framework; ensures the Society assesses and manages risk in IT operations and projects.

These Committees all report upwards to the Board Committees.

Board Committees

There were previously five established committees of the Board. However, the corporate governance of the Society has been restructured to constitute four Committees of the Board:

1. Board Committee

The Board Committee provides leadership of the Society's governance processes: Director nominations and evaluations; Director qualification review; evaluations of the Board,

Governance

CEO, Secretary and Committee evaluations; members' proxies; succession planning; Board and organisational structure; Board member retirement and CEO recruitment. This Committee comprises three independent Directors. It meets semi-annually and reports annually to the Board.

2. Audit Committee

The Audit Committee has responsibility for review and oversight of the financial statements, internal financial controls, the JNBS Group's compliance with laws, regulations and the Society's Code of Conduct. It requests/oversees special investigations; reports to members; reviews the performance of the Chief Internal Auditor with authority to terminate; and oversees the relationship with the external Auditors and Regulators.

It comprises two independent Directors, one independent non-director and the General Manager and is assisted in its deliberations by the Chief Internal Auditor, Chief Risk Officer, Chief Compliance Officer, Chief Financial Officer and EDP Audit Manager. The Committee meets bi-monthly and submits quarterly and annual reports to the Board.

Six Audit Committee meetings were held during the financial year, with 100% attendance by the Directors on the Committee.

3. Finance Committee

The Finance Committee assists the Board in its risk oversight role by overseeing the risk management framework and monitoring the organisation's adherence to limits and tolerance levels established by the Board. The Committee ensures that policies for enterprise wide risk management are in place; reviews the performance of the Chief Risk Officer and Chief Compliance Officer, with authority to terminate their services.

It comprises three independent Directors selected by the Board Committee and is assisted in its deliberations by the General Manager, Chief Internal Auditor, Chief Risk Officer and Chief Compliance Officer. This Committee meets bi-monthly and submits bi-monthly and annual reports to the Board. It receives reports from the Credit, Asset & Liability and Information Technology Steering Management

Committees. It also receives periodic reports from the Chief Compliance Officer, Chief Internal Auditor, Chief Risk Officer, Chief Financial Officer and external Auditor. For the financial year ending March 31, the then Finance & Investment Committee had eight meetings, with two Directors attending all meetings, one Director attending seven and one Director five meetings.

4. Compensation Committee

The Compensation Committee is responsible for oversight of Board and senior management compensation systems, to ensure alignment with long term objectives; succession planning; recommends Executive and Board remuneration; commissions industry compensation surveys; reviews compensation and incentives; meets with the Chief Risk Officer and Finance Committee to ensure risks are being managed in this area; makes recommendations on liability insurance and delegates areas of its authority to the Group Human Resources Development (GHRD) department. The Committee comprises three independent Directors selected by the Board Committee and is assisted in its deliberations by the General Manager and the Executive, GHRD. It meets semi-annually and submits annual reports to the Board and Board Committee. The Committee receives reports on compensation, evaluation and succession planning from the Executive, GHRD. In the previous financial year, the Committee met once and all Directors/members were in attendance.



JN Group Audit Committee Report

Audit Committee members and attendance

The JN Group Audit Committee consists of the members listed below and meetings are scheduled for every other month. During the financial year 2012/2013, six (6) meetings were held, one of which was specifically scheduled to discuss with KPMG the audited financial statements for the financial year April 2011 to March 2012.

- compliance with laws and regulations.
- Meet with management to review the company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the company's risk assessment and risk management policies.
- Regularly report to the Board of Directors about

MEETING DATES						
	17/04/12	19/06/12	21/08/12	16/10/12	18/12/12	19/02/13
Raphael Gordon (<i>Chairman</i>)	✓	✓	✓	✓	✓	✓
Kathleen Moss	✓	✓	✓	✓	✓	✓
S. Kumaraswamy	✓	✓	✓	✓	★	✓
Earl Jarrett	★	✓	✓	★	★	★
KEYS: Present ✓ Apology received ★						

Mrs. Kathleen Moss became a non-executive director in November 2012. In February 2013, a new Corporate Governance structure was approved by the Board of Directors of the Jamaica National Building Society (JNBS). Risk management will be dealt with by a separate committee and Compliance will continue to report to the Board, through the Audit Committee, which will comprise of three (3) non-executive directors, one (1) other director and another member.

AUDIT COMMITTEE RESPONSIBILITY

The Audit Committee has the following key functions and responsibilities:

- Review and discuss with management and the external auditors significant accounting and financial reporting issues.
- At least annually, prior to the filing of the audit report with the Bank of Jamaica or other regulatory bodies, review and discuss reports from the external auditors
- Consider the effectiveness of the Society's internal control systems, including information technology security and control
- Review with management, the external auditors and the chief internal auditor the plans, activities, staffing and organisational structure of the internal audit function, and any recommended changes thereto, as well as staff qualifications.
- Meet with the external auditors to discuss the external auditor's proposed audit planning, scope, staffing and approach, including coordination of its effort with internal audit.
- Review the effectiveness of the system for monitoring

Committee activities, issues and related recommendations.

- Annually review the Committee's own performance.
- Evaluate the Internal Audit Unit on an annual basis.

THE EFFECTIVENESS OF INTERNAL CONTROL

The main objectives of the internal control system are to:

- ensure adherence to management policies and directives in order to achieve efficiently and economically the organisation's objectives;
- safeguard assets;
- secure the relevance, reliability and integrity of information, so ensuring as far as possible the completeness and accuracy of records; and
- ensure compliance with statutory requirements.

Based on the work undertaken during the year and the implementation by management of the recommendations made, Internal Audit can provide reasonable assurance that the Society has adequate and effective governance and internal control processes.

REGULATORY COMPLIANCE

Over the year, the Group Compliance Unit discharged its mandate of ensuring that the Society and its subsidiaries adhere to external laws and regulations, as well as internal policies and procedures. Consistent with the Society's strategic objectives, the period saw a heightened commitment to regulatory compliance and risk governance. Among the strategies employed for achieving the Society's compliance goals were the strengthening of the human resource capacity of the Compliance Unit, re-defining the

compliance program to be more risk based, continuous expansion of the compliance focus to support key business processes, investment in Information Technology to support compliance monitoring, reporting and training, and enhancing relationships with key Regulators through open and frequent communication.

RISK MANAGEMENT

The mandate of the JNBS Group Risk Management Unit (RMU) is to ensure that suitable risk management policies and risk monitoring mechanisms are implemented and functioning throughout the Group.

The RMU is led by the Chief Risk Officer (CRO), who reports to the General Manager of JNBS and to the Audit and the Board Finance Committees of the Board of JNBS. The CRO or senior members of the RMU team sit on all Management level committees, including the Asset and Liability Committee (ALCO), Credit Committee, IT Steering Committee, IT Security Steering Committee, Project Management Committee, and the Operational Policies and Procedures Committee, to ensure that it can effectively support the Board in carrying out its risk oversight role.

The Group RMU is governed by the Board approved 'Organizational Risk Management Policy Guidelines', which outlines an Enterprise Risk Management (ERM) framework, according to the standards specified in the BASEL II Accord; the requirements of the Bank of Jamaica, as well as key best practice standards. The RMU specifically, provides three important functions:

- working with the relevant business units to protect the JN Group against market, credit, liquidity, operational, strategic, reputational and legal risks and by so doing, protect the financial industry from systemic risks;
- working with the relevant business units to protect the JN Group's customers from large non-market related losses (e.g., misappropriation, fraud, etc.); and
- working with all units to protect JN Group from Business Continuity risks.

The RMU confirms that, in carrying out of its functions during the year, through Onsite Risk Assessments, Risk Self Assessments, Business Proposal Assessments, Project Assessments and Business Continuity Coordination, that the Group conducted business with adequate and effective risk management.

The Group's risk and control environment was also subjected to an Enterprise Risk and Control Framework Assessment (RCFA) by Ernst and Young Limited during the reporting period. The findings from this review noted the improvements made in the entity's risk and control environment over the 2008 RCFA.

TRAINING AND DEVELOPMENT

In today's rapidly changing financial landscape, the aim is to ensure that the Units' employees keep abreast of the latest technical knowledge and best practice standards to effectively carry out their functions. To achieve this, the Units subscribe to bodies such as the Institute of Internal Auditors (IIA), Information System Audit & Control Association (ISACA), Global Association of Risk Professionals (GARP), Public Risk Management Association (PRIMA) and MetricStream, which offer resource material and webinars on related topics such as Enterprise Wide Risk Management, Audit and Compliance. Members of the Unit also embarked on internationally recognized Professional Designation programmes, to include:

- Certified Anti-Money Laundering Specialist (CAMS)
- Professional Risk Manager
- Financial Risk Manager

Additionally, employees attended various courses during the year, including Financial Statements training, to assist the accounting, internal audit, compliance and risk departments to deal with reporting matters and improve the timeliness of the finalization of the financial statements. There was also training to satisfy USA obligations, attendance at Bank of Jamaica internal audit training seminar and others.

The Internal Audit Charter was amended and approved by the Board during the year.

CONTENT AND QUALITY OF REPORTS PREPARED BY THE INTERNAL AUDIT UNIT

In keeping with its mandate, the Committee received regular updates from the Chief Internal Auditor. Significant areas requiring improvements in internal controls were noted by the internal auditors. The final reports, which include management's risk corrective action plans, were presented to the Committee at the scheduled meetings. In addition, quarterly Governance reports were submitted to the Board for the period April 2012 to March 2013. The reports cover activities of the Internal Audit, Risk and Compliance Units.

EXTERNAL AUDITORS

The committee held meetings and discussions with the external auditors to identify any significant audit issues arising from their examination and issues communicated in their management letter. There were no major issues arising from their examination. Internal Audit followed up on the matters included in the external auditors' management letter to ensure that these were addressed by the JNBS management team. Their independence was also evaluated, and we are satisfied that they have maintained their independence as required by the Institute of Chartered Accountants of Jamaica's Code of Ethics.



JN Group Audit Committee Report

EVALUATION OF FINANCIAL STATEMENTS

The audit approach to be used by the external auditors, KPMG, for the financial year ending March 31, 2013 was presented at the December 2012 Audit Committee Meeting. A meeting will also be held with KPMG to discuss the audited financial statements. The Committee will then make its recommendation to the Board.

The Audit Committee reviewed and approved audited financial statements for the Society and all subsidiaries as at and for the year ended March 31, 2012, Mutual Building Societies Foundation as at and for the year ended March 31, 2012 and First Metropolitan Building Society, the Contributory Pension Scheme for Jamaica National Building Society and Subsidiary Companies, Jamaica Automobile Association (JAA) Services Limited, JN Life Insurance Company Limited, Jamaica National Building Society Foundation and Jamaica National Individual Retirement Scheme as at and for the year ended December 31, 2011.

The Audit Committee reviewed and approved audited financial statements for companies which financial year ended December 31, 2012, namely JN General Insurance (JNGI) Company Limited, Jamaica Automobile Association (JAA) Services Limited and JN Life Insurance Company Limited. First Metropolitan Building Society, the Contributory Pension Scheme for Jamaica National

Building Society and Subsidiary Companies and Jamaica National Individual Retirement Scheme were reviewed and will be approved after all matters raised by the Committee are dealt with. The JNGI's directors' report was also reviewed and approved.

COMMENTS ON SUBSIDIARIES

Internal audit reviews were conducted at subsidiaries during the year. The scope of the reviews included follow up on points raised in internal audit and external audit reports and regulatory reports (where applicable). Reports for JN General Insurance (JNGI) Company Limited were discussed at meetings of their Audit Committee, which were held every other month for the period April to September 2012 and quarterly effective October 2012. Summaries of the issues discussed were included in the monthly reports to the JNBS Board. Reports for the other subsidiaries were discussed at JNBS Audit Committee meetings. The committee is satisfied that issues raised in audit reports were addressed or are being addressed by management.

Raphael Gordon

Chairman of the Audit Committee

Mutuality Statement

The Jamaica National Building Society was founded on the principle of mutuality which has guided the Society's progress and conduct throughout the past 139 years.

Based on mutual trust and benefit, mutuality means that the Society is owned by its members - the people who save with it, and that the Society strives to safeguard the interests of those members.

As a mutual organisation, the Society's main goal is to increase its membership base and encourage savings among members primarily to help them to acquire homes.

The Society also strives to manage the savings of its members prudently with the interest of savers in mind. As such, it seeks to satisfy the needs of both savers and borrowers by offering attractive rates of interest on savings and loans.

The Society's business conduct is also guided by mutuality - one member, one vote - regardless of the amount of savings of each member; thus, the interest of the smallest saver is safeguarded as much as the interest of the largest. The Society also seeks to operate efficiently and profitably to the greater benefit of its members.





Chairman's Report



The Hon. Oliver F. Clarke, OJ, Hon. LL.D., JP
Chairman

The 2012/2013 financial year represented one of the most difficult and inequitable periods for financial institutions in Jamaica as they were called upon to surrender the savings of their members and customers to compensate for decades of weak fiscal policies and poor management of the country's finances. The burden of the continued failure of the Jamaican economy to achieve fiscal prudence and growth was again shifted onto the shoulders of hardworking persons, such as savers of the **Jamaica National Building Society (JNBS)**, who had to sacrifice their resources to meet the conditionalities of the **International Monetary Fund Agreement (IMF)**. Consequently, the delayed signing of the **IMF Agreement** eroded consumer and business confidence; and resulted in a steady decline in the value of the Jamaican dollar.

FINANCIAL PERFORMANCE

The single largest negative impact on the operations of Jamaica National during the year was the **National Debt Exchange** which erased approximately \$829 Million of

the Group's reserves. This loss is in addition to the \$1.67 Billion in receivables on our books, which represent withholding taxes owed to us by the government without compensating interest being paid, and for which there is no indication of a likely date of payment.

Despite the pessimistic economic environment, the JN Group achieved some growth, ending the year with a Net Surplus of \$926 Million, less than half of the \$2.07 Billion achieved last year. The Group's Total Assets increased by seven percent from \$135 Billion in 2012 to \$144 Billion in 2013, while equity increased minimally by two percent to \$24 Billion.

There was a modest growth in the savings and loan portfolios which increased by 10 percent and eight percent, respectively. At the end of March 2013, the Savings Fund was \$79 Billion, while the Loans amounted to \$51 Billion. This improvement in the loan portfolio came against the background of increased competition in the mortgage market.

The subsidiaries in the JN Group continued to improve their efficiency and financial performance by leveraging the synergies available through the Group's business focus.

Of note, **JN General Insurance Company**, formerly NEM Insurance Company, was able to reduce its motor loss ratio to less than 50 percent for the second consecutive year; and is now among the leading general insurance companies when assessed on the basis of underwriting results. The company also rolled out a comprehensive motor vehicle crash reduction strategy to support a national campaign to help reduce road crashes and deaths due to motor vehicle collisions.

JN Life Insurance Company commenced operations and a General Manager, Oliver Tomlinson, was appointed, to coordinate the provision of Creditor Life Insurance for mortgage clients.

Notwithstanding the challenges, the JN Group successfully weathered a difficult year and continued to grow, by expanding its base activities and introducing new services and locations for the benefit of its members. The prospects over the next 12 months are encouraging, and several elements are in train to strengthen the core of the building society and its subsidiaries.

OPERATIONAL EFFICIENCY

During the year, Jamaica National sharpened its efficiencies by boosting and strengthening its internal operations. As a result, the building society was able to achieve the **International Organisation for Standardisation ISO 9001:2008 Quality Management System** (QMS) certification, the first financial institution in Jamaica to be so certified. This certification allows the Society to benchmark its operations against global financial institutions, and to position Jamaica National as a truly multinational organisation.

As the Group continues to prepare for a future in which financial institutions will face increased global competition, the Board of Directors gave its approval for several projects to enhance profitability and make the operations as efficient as any international organisation. The major initiatives undertaken during the year include the:

1. Development of a new application for a commercial banking licence to enable members and clients to have access to a wider range of financial products and services
2. Planned implementation of mobile commerce, that is, the use of the mobile phone for financial transactions to increase the level of access to financial services
3. Development and roll out of **JN Money Shops** as the main avenue to process volume transactions such as bill payments and remittances; and
4. Expansion of the online banking services, **LIVE by JN**, to include international wire transfers, and local and international payments. This resulted in an overall 44 percent increase in the number of users who accessed the portal during this financial year, over the previous year.

GOVERNANCE

The building society has improved its governance framework with the revision of existing board committees and the addition of others to offer greater oversight to its operations and that of its subsidiaries. The governance committees are now Audit, chaired by Raphael Gordon; Finance, by Deputy Chairman Dr Dhiru Tanna; and the Board and Compensation committees, which I Chair. Mrs Kathleen Moss was appointed a non-executive Director of JNBS in November 2012. A comprehensive overview of the Corporate Governance structure of the JN Group can be found on pages 15 and 16 of this Annual Report.

TEAM MEMBERS

The Board of Directors wishes to thank the General Managers, Senior Management team and staff members of the JN Group for their outstanding performance and commitment to the growth of the organisations within the Group. Special mention must be made of Dunbar McFarlane, Keith Senior and Frank Whylye, who all retired during the year, for their contribution to the growth of the organisations they led for several years. We welcome the appointments of Brando Hayden, Philip Bernard and Wanica Purkiss as General Managers of JN Fund Managers Limited, JN Small Business Loans Limited and the National Building Society of Cayman, respectively. We also welcome Oliver Tomlinson, General Manager of JN Life Insurance Company, to the JN team, and look forward to his contribution in shaping the direction of our newest subsidiary.

AUDITORS

The firm of KPMG, Chartered Accountants and Auditors of the Society, retires in accordance with the Rules of the Society; and, being eligible, offers itself for re-appointment.

RETIRING DIRECTORS

Pursuant to Rules 24 (a) and (b) of the Society's Rules, the retiring directors by rotation are:

1. **Hon Oliver F Clarke, OJ**
first appointed 1976
2. **Hon Dorothy Pine-McLarty, OJ**
first appointed 1998
3. **Mr Parris Lyew-Ayee, CD**
first appointed 2007
4. **Mrs Kathleen Moss**

who, having been appointed in November 2012, subsequent to our last Annual General Meeting, stands for re-election.

Chairman's Report

These four directors, being eligible, offer themselves up for re-election. And, I take this opportunity to thank all the Directors of the Boards of the JN Group for their unstinting service to the success and growth of the Society; and, by extension, the members and clients we serve.

OUTLOOK

The Board remains concerned about the macroeconomic environment and the lack of programmes to stimulate growth in the economy. We will continue to implement strategies to counter the negative impact of the current

economic environment on our operations, while we run a tight, efficient, member-focused organisation, committed to supporting feasible national growth plans for Jamaica. It is our hope that the government can improve the management of the country's finances and public sector efficiency.



The Hon. Oliver F. Clarke, OJ, Hon. LL.D, JP
Chairman



JNBS member, Orrette Staple, greets JNBS Chairman at the Society's 2012 Annual General Meeting

LIVE in the moment.

 ONLINE BANKING



ANYWHERE. ANYTIME.
ONLINE.

- International wire transfers
- Local transfers (transfer to other Jamaican financial institutions)
- Internal transfers (transfer to other JN Accounts)
- Purchase foreign currency
- Make payments to credit card accounts
- Check your account balances
- Pay bills and top up cell phone
- Make loan payments

Have more. Be more. Do more.



Go LIVE today!

Register online or visit
any JN Branch near you.



1-888-GET-JNBS www.jnbs.com



Innovation and technology are key in bringing banking services to our members, wherever they are.



General Manager's Report



Earl Jarrett, CD, Hon. LL.D, JP
General Manager

The past financial year was characterised by uncertainty in the global economies, particularly the crisis in the United States of America and Europe, which directly impacted the Jamaican economy, resulting in underperformance in exports and remittances. The Jamaican economy languished under the negative consequences of low business and consumer confidence as the entire year was committed to negotiating an Extended Fund Facility with the International Monetary Fund.

The economic dashboard indicated the harsh realities for the period. The economy grew by negative 0.3 percent, while the Jamaican dollar devalued against the United States dollar by 6.9 percent. Remittances grew marginally from \$2.02 Billion to \$2.04 Billion or by 0.9 percent; and tourist arrivals declined by 3.1 percent. Foreign direct investments were US\$381 Million as compared to US\$242 Million in the previous year. The debt-to-GDP ratio at the start of the year was 128 percent and closed the year at 140 percent. The unemployment rate at the end of 2012 was 13.7 percent.

Despite this persistent lack of growth in the economy, the **Jamaica National Building Society (JNBS)** and its subsidiaries returned a modest performance for the financial year, due in large measure to the strategic realignment of its operations and prudent management of its funds to realise a positive outcome.

FINANCIAL PERFORMANCE

During the year, the Society embarked on a path to improve efficiency and carefully manage the use of capital in order to survive the fiscal hurricane that all financial institutions had to experience.

This included efforts to reduce operational costs, improve products and services, and increase levels of customer service delivery. These strategies helped to offset the large reduction in the income base of the Society, with an \$829 Million loss in interest income, as a result of our participation in the National Debt Exchange (NDX). The NDX followed the implementation of the Jamaica Debt Exchange in 2010, which resulted in the Society absorbing a loss of more than \$1 Billion.

As a member-based organisation, the Society offered some resistance to the debt exchange as any write down in our income affects each member who is a part owner of the Society. We were, therefore, one of the last financial institutions to accept the government's invitation to participate in the NDX; and, we believed that we acted in your best interest, to seek an understanding from the government about the economic plan for Jamaica. Subsequent to the implementation of the NDX, the Society embarked on a series of meetings in Ocho Rios, Montego Bay and Kingston; as well as, in Florida, USA, to discuss the NDX and its effects on members and their families, the economy and financial institutions, such as Jamaica National.

As anticipated, the Society's Net Surplus for the period declined considerably, moving from \$1.4 Billion in 2012 to \$313 Million in 2013. The financial performance of the Society and the JN Group were also affected by the imposition of a 0.2 percent Asset Tax and five percent Dividend Tax, ostensibly to reduce the public debt. However, these measures also imposed additional severe financial constraints on the building society. During the year, the Society's Total Assets increased, passing the \$100 Billion threshold, moving up from \$96.3 Billion, with shareholders' savings increasing to \$74.8 Billion.

The Society remained focused on its core business of providing home loans and initiated a 9.4 percent mortgage product. The product was marketed through our mobile loans officers and through critical partnerships with realtors and other real estate professionals. We are pleased to report that the initiative resulted in the approval of more than \$800 Million in mortgages for March 2013, exceeding the value written in any other month over the past two years. This fillip increased the mortgage loan portfolio to \$43.8 Billion for the year.

The Savings Fund recorded a marginal increase during the year, moving from \$69.4 Billion to \$74.8 Billion, with the Net Savings Intake (NSI) amounting to \$1.84 Billion for the period. The savings inflows to Jamaica National continue to be significantly supported by Jamaicans in the Diaspora who keep on investing and supporting families in our country.

The Society also implemented several initiatives to contain expenses and measures to drive down cost, which resulted in our expenses remaining relatively unchanged over the past year.

ENHANCED SERVICE DELIVERY

Jamaica National recognised the need to enhance its service delivery by integrating new technologies, sharpening our focus on improving our processing to positively impact service delivery, while reducing cost.

Critical to the Society's future is the expansion of its financial services, and this will be achieved by successfully obtaining a license to offer commercial banking services. To this end, the Society has been preparing a resubmission to the Bank of Jamaica for a commercial banking licence. The acquisition of this commercial banking license will enable us to increase the range of financial services to members and customers; and to compete more

effectively with other financial institutions, which are now offering mortgage loans to the public at large.

During the year, the Society implemented the 'Pay as You Go' model within the JN Money Shop franchise to generate greater revenues and improve the efficiency and productivity of the branches. The "Pay as You Go" model helps to streamline the volume of transactions processed in the branches, and provides members and customers with access to the longer operating hours at JN Money Shops. Twinned with this was the reorganisation of the branch structure, the conversion of several branches into Money Shops, and the expansion of the JN Express self-serve facilities, to enable speedier use of our services without an extended in-branch wait. The introduction of the "Pay as You Go" model has effectively enabled branches to focus on financial advisory services and customer care within selected branches without the pressure of dealing with the volume of repetitive transactions.

On the human resource side, branch managers were repurposed as Business Relationship and Sales Advisors, who, along with the direct sales force, consisting of Sales Development specialists, are tasked with creating more direct interface with members and customers in order to generate more savings, deposits and loans.

Significant strides were also made in the use of technology, as the main vehicle to expand the delivery of service and enhanced efficiency for members and customers. The improvement in our financial performance is attributed, in part, to the expansion of our online banking platform, **LIVE by JN**, to deliver more efficient, timely online banking services. Via the banking portal, members can conduct inter-bank transactions through the Automated Clearing House, real time settlement of payments with other financial institutions, credit card payments, and increased transaction limits to facilitate more banking activities. **LIVE by JN** is currently our second largest transaction channel for financial activities after the Automated Teller Machines (ATMs), which have an average of \$300 Million in transactions monthly, and approximately 37,000 registered users.

The drive to achieve greater levels of efficiency resulted in JNBS being the first to offer full service ATMs that provide immediate value for cash deposits. We introduced the first cash recycling ATM machines in the Caribbean, which allows persons to deposit cash to the ATM that is immediately validated electronically and updated to

General Manager's Report

member's accounts instantly. The cash recycling ATMs provide an efficient alternative to a human teller, enabling the Society to process volume cash transactions optimally while leaving the staff to deal with more complex member needs.

The Society also implemented the first phase of a rural swipe card project, "JN Swipe," in six parishes to make financial services more readily available to persons living in rural communities. The project, which is being pursued in partnership with the Inter-American Development Bank, provides greater access to financial services for underserved communities; and, enables entrepreneurs to use Point of Sale terminals to conduct simple transactions, such as small business loan repayments and bill payment services

The JN Individual Retirement Scheme (JNIRS), one of several private pension schemes approved by the Financial Services Commission, consolidated its operations during the year, increasing its funds under management to \$70 Million. The JNIRS continues to increase its membership through targeted marketing and communication strategies, including its first annual participants' meeting in August 2012.

INTERNATIONAL BUSINESS

Internationally, our JNBS Representative Offices in Canada, the United States of America (USA) and the United Kingdom (UK) continued their efforts to build and maintain relationships with Jamaicans in the Diaspora. The introduction of new services to the JN online banking portal, including international wire transfer service and foreign exchange services, have been well received by Jamaicans living overseas.

Our Representative Offices hosted several strategic mortgage seminars, real estate fairs and a series of members' meetings to update members about real estate, investment and mortgage products offered by Jamaica National.

The Society recognised the serendipitous opportunity created by the coincidence of Jamaica's achieving its 50th anniversary as an independent nation and the staging of the Olympics in the United Kingdom, as a unique historical moment to win new customers and members

to the JN Group while reconnecting with our existing customer base. This fuelled the decision to participate in the celebration of the nation's 50 years of independence celebrations, the sponsorship of the JN/Jamaica International Invitational Track Meet, and to spearhead the Meet Jamaica 2012 initiative, which showcased Jamaican businesses to the British market. Several activities were held under the Meet Jamaica theme, including:

- Jamaica in the Square in Birmingham, a major international trade and cultural event in the town square of Birmingham. The event brought together more than 60 Jamaican business entities to promote authentic Jamaican products and services to thousands of British folk.
- A one-month Diaspora Photo Exhibition that juxtaposed the lives of Jamaicans in the UK in the 1960s and 1970s with the current Jamaican society, as seen through the camera lens of students from Jamaica who participated in the JNBS Foundation's Resolution project.
- An annual community day in Brixton, called Brixton Splash; and
- "I Love Jamaica" Day, a Jamaican entertainment event to encourage Jamaicans in the UK to celebrate their heritage.

The Society was also instrumental in the discussions which led to the hosting of the Jamaican Olympics team at the University of Birmingham. And, a direct outcome of this engagement was the awarding of scholarships to Jamaican students to pursue degree programmes at the University.

All these activities served to reinforce our presence and commitment to nation building, promote the best of Jamaica and its people in the eyes of the world, and position JNBS as a Jamaican entity with international standards, reach and products.

INTERNAL AND EXTERNAL EVENTS

During the past financial year, two international matters—the lottery scam and the Foreign Account Tax Compliance Act (FATCA) were brought to the fore on the Society's radar. These matters, which will have significant implications for our overseas operations, contributed to a tightening of the Society's compliance structures to protect the legal and reputational value of Jamaica National.

The pervasive lottery scam has grown significantly in recent years. In November 2012, the Society organised its second forum to highlight the proliferation of the lottery scam, which led to some remitters temporarily suspending their services to avoid misuse of their brand and threat to their reputation. The impact on financial institutions resulted in a minor decline in remittances inflows, a far more complex and costly system of operation and the implementation of stricter compliance measures; as well as increased security expenditure to counter the fraudulent activities. The response from the government has been decisive with the establishment of an Inter-Ministerial Taskforce to manage the impact of the lotto scam.

The passage of FATCA by the Government of the United States of America (USA) will have significant implications for our operations and our relationship with some members, particularly those in the US Diaspora. The law, which is intended to reduce US tax evasion, will impact JN members who are US citizens, green card holders, or visitors who spend more than six months in the USA each year. It also requires that foreign financial institutions outside of the US, such as Jamaica National and its affiliate companies, provide the US Internal Revenue Service (IRS) with transaction information about US persons with more than US\$50,000 in savings and investments outside of that country. The Society was also instrumental in facilitating a discussion on FATCA at the Inter-American Dialogue in Washington in February 2013.

While financial institutions have signalled their intention to comply with the requirements of FATCA, many are investing significant sums of money in consultancy, legal, accounting and technology services to achieve full compliance with the US law. This supports the increasing focus of the Society and its subsidiaries to ensure that our regulatory and internal compliance processes are in place to mitigate and, or, identify and address any breaches which may have a negative impact on our operations.

SUBSIDIARY HIGHLIGHTS

Over the year, the Building Society and its subsidiaries provided a comprehensive range of services and benefits for members and customers in the areas of finance, insurance, automotive, information technology solutions and creative services.

FINANCE

The financial organisations in the JN Group returned a respectable performance during the 2012/2013 financial year, despite turmoil in the global and local financial markets. The year was a good one for the investment company, **JN Fund Managers Limited** (JNFM), with its funds under management closing the year at \$23.1 Billion, up 0.9 percent or \$201.1 Million over the \$22.9 Billion outturn of 2011/2012. The company also recorded a profit before income tax and asset tax of \$392.5 Million, representing a \$14.5 Million increase over the previous year's \$378.0 Million, and a 19 percent return on equity.

Investor interest in JN Fund Manager's fixed income, equity, and mutual funds services was maintained during the period under review, despite the challenging economic environment which showed slow growth, an unemployment rate of 14.2 percent and a contraction in the public's disposable income.

In this environment, JNFM enhanced its public outreach programmes. A successful project was implemented with the Junior Achievement Jamaica, in concert with the JNBS Foundation, to support the participation of some 240 high school students in the Junior Achievement's entrepreneurship training programmes in ten schools across the island. The 'Your Money' Television Jamaica interview series was conducted to inform the wider public about important aspects of investing.

The remittance company, **JN Money Services Limited** (JNMS), ended an active year by signing two partnership agreements to significantly increase its JN Money Transfer remittance network, from approximately 350 Agents and branch locations, to in excess of 8,000. The agreements were with Laparkan Financial Services in Guyana and the Philippines-based G-xchange Incorporated, owners of GCash Remit. The accords will extend the JN Money Transfer brand across the Caribbean; and introduce the company to the Asia-Pacific region.

In addition, JNMS consolidated its Ghana Money Transfer brand, by officially launching services

General Manager's Report

in the capital, Accra, in May 2012. The company's performance improved along the United Kingdom to Ghana, the USA to Ghana, and the Canada to Ghana corridors, with transactions increasing by 98 percent over the previous financial year; and 294 percent since its introduction in 2009.

Through strategic planning, marketing and innovative communication, JNMS capitalised on the Jamaica 50 Independence celebrations and the world-beating performance of Jamaican athletes at the London 2012 Olympic Games, to position the JN Money Transfer brand as a major Jamaican trademark, fully committed to the Jamaican people.

These business and promotional activities reflected positively on the remittance company's financial performance during the year under review as the JN Money Services Group posted an after tax profit of J\$133.7 Million. Sales across the JN Money Services Group grew by seven percent resulting in a 17 percent growth in revenue, as the company maintained its positive image under its tagline, "It's a Love Thing."

In addition to its strategic marketing and sales, JNMS provided critical support to the Jamaica Money Remitters Association, in concert with JNBS, private sector companies, and government agencies, locally and overseas, to bring increased focus on the pervasive lottery scam. The JNMS has lobbied for improved compliance systems, stronger laws, and educational programmes to empower customers and victims, in the drive to eliminate the illicit scam and other consumer frauds.

JN Small Business Loans Limited (JNSBL) remains the island's leading micro and small business creditors, providing some \$2.4 Billion in loans during the financial year, to facilitate the creation and maintenance of some 16,497 jobs across the country. The company distributed some 24,750 loans, to assist micro entrepreneurs to realize their potential of maintaining viable and profitable business operations.

The financial year was active for JNSBL as it strengthened its operations, establishing three new branches in Half-Way-Tree, St. Andrew; May Pen, Clarendon and Black River, St. Elizabeth, to increase its island wide coverage to

27 locations and widen access to credit among the micro and small business sector in rural towns.

The company also expanded its product offerings to include a motor loan to assist persons at the lower end of the market to access automobiles. It also re-introduced its agro loan product, Farmers' Choice, offering farmers and other players in the agricultural sector affordable credit to improve their livelihood and operations; while small business owners were provided with a window of opportunity to expand their businesses through the re-introduction of the BizBoost programme, which offers loans between \$1 Million and \$3 Million.



Roy Megarry, a former Director of JN Small Business Loans Limited and Founder of the Canadian-based Tools for Development, gets a brief lesson in sewing from Jeraldine Smith (left) of Kim-Sue-Dean Fashions, a fashion designing operation in Kingston. The business was among other JNSBL loan beneficiaries being toured on April 30, 2012, during an event organised by the company to honour Mr. Megarry. Sharing in the moment are from left to right, Cosma Earle, JNSBL Director; Frank Whyllie, former General Manager, JNSBL and Mary Smith, JNSBL Director.

During the year, the company's partnerships with other financial institutions and government programmes remained solid. Its partnership with the Tourism Enhancement Fund (TEF) continued to strengthen the capacity of businesses in or linked to the tourism sector, as some 32 businesses accessed loans valued at \$85.5 million under the programme. This brought the total number of operations benefiting from the programme to 52 businesses across the sector.

The JNSBL also continued its relationship with the Development Bank of Jamaica, the EXIM Bank, the Micro

Investment Development Agency, the National Insurance Fund and Sagicor Bank, all of which have provided loan funds to finance the micro and small enterprise sector. The company maintains a commitment to providing the micro and small business sector with products that meet the core needs of businesses and the people who operate them. In recognition of this pledge, the company was presented with the Visionary Award by the Manchester Chamber of Commerce in January 2013 for its contribution to business development in the parish.

During the financial year, the **JN Finance Limited** earned gross income of \$67.9 Million, due mainly to the underwriting of insurance premium finance (IPF) contracts and fees income for managing IPF facilities. This represented a 25 percent reduction in revenue when compared to the previous financial year. While a loss of \$10.95 Million was recorded for the year, this reflected an improvement on the \$31.14 Million loss recorded in the previous financial year as a result of the write back of deferred tax charges.

To improve its operations, maximize performance and benefit from the combined back office operations, JN Finance consolidated its portfolio and became a division of the Finance Department of the Jamaica National Building Society in April 2012.

The 2012/2013 financial year was a transitional year for the **National Building Society of Cayman (NBSC)**, as the Society strives to grow, to enhance efficiency and expand the value and range of its products and services.

The building society's overall lending decreased by one percent, but remained relatively high at CI\$36.17 Million. The NBSC mortgage portfolio was directly impacted by the continuing recession in the Cayman economy, which has not fully emerged from the global crisis in 2008. Savings grew by 1.92 percent compared with the previous year, reaching CI\$46.29 Million, while Total Assets increased by 0.43 percent to CI\$51.17 Million. The building society's core operations are profitable, and a foundation has been laid for improved performance.

The NBSC, in collaboration with the JN Group, arranged a Mortgage Fair in Grand Cayman to provide investors in Cayman with an opportunity to explore real estate options in Jamaica. The organisation was also a sponsor of the first Cayman Invitational athletics event held on May 9 at the Truman Bodden Sports Complex.

The financial year ended with a transition in leadership of the NBSC, JNFM and JNSBL subsidiaries, with the retirement of Dunbar McFarlane, Keith Senior and Frank Whyllie as General Managers of the respective companies. Elsewhere in this report, I pay tribute to these outstanding managers for their guidance of these organisations.

INSURANCE

The Group considers the provision of insurance services as a critical component in its suite of available products and services. The Group's flagship insurance company, **JN General Insurance Company (JNGI)**, successfully rebranded its operations in May 2012 from NEM Insurance Company (Jamaica) Limited, to identify more with the Jamaica National Building Society. This symbolic change, as well as product and service realignment, transformed the company into a more flexible, customer-focused entity.

Last year, the company reported a profitable motor underwriting operation for the second year in a row. This positive trend was strengthened by the enhancement of service levels; and the revitalisation of its corporate business through high quality brokers, resulting in positive sales growth. This translated into profits of \$275 Million; and while there was a marginal loss in the underwriting business, its critical motor underwriting performance showed a marginal improvement over the previous year.



Rev. Dr. Garnet Brown (at door), long-standing customer of N.E.M Insurance Company, now rebranded JN General Insurance Company (JNGI), formally opens the refurbished JNGI building with Chris Hind, General Manager, and Alicia Browne, Assistant General Manager.

General Manager's Report

As part of its motor vehicle crash reduction strategy, JNGI launched its “*Tek Time Drive ... Arrive Alive*” road safety initiative, which involved the erection of warning signs at major accident hotspots on the Jamaican road network, and the provision of information about these areas through a series of newspaper columns and social marketing, targeting a radical reduction in the incidence of death and serious injury on our roads.

The company also played a leading role in the response to Hurricane Sandy, which struck the island in October. Its catastrophe claims response programme was activated during the storm, and homeowners were contacted to establish damage levels. Emergency teams were also dispatched to households to initiate claim settlements and these customers also received emergency relief supplies.

JNGI has been joined by the newest subsidiary in the JN Group, **JN Life Insurance Company Limited**, which became operational towards the end of the financial year. The company has been approved by the Financial Services Commission to offer group or bulk mortgage protection insurance. This is a creditor life insurance policy which is acquired by mortgage companies or organisations to cover the life of a mortgagor, to enable the full repayment of the mortgage in event of the death or total disability of the mortgagor.

AUTOMOTIVE

The Jamaica Automobile Association (JAA) continues to be the JN Group's main road safety advocate, and the island's foremost provider of motor vehicle assistance and related services. In its 89th year, the JAA returned a profit of some \$10.96 Million, improved its customer service capacity and maintained a cost effective operation.

The company consolidated its roadside assistance services across the island and made approximately 2,297 responses to emergency calls last year. The Association also improved its customer service and member retention initiatives; re-launched its state-of-the-art website; and increased its road safety and mobility advocacy initiatives. A call center, manned by university students was established, facilitating reminders about



Hon. Omar Davies (from right), Minister of Transport, Works and Housing, talks with Jean Todt, President, *Fédération Internationale de l'Automobile*; Professor the Hon. Gordon Shirley, Principal, The University of the West Indies (UWI); and Earl Jarrett, Chairman, Jamaica Automobile Association. They were participating in a seminar promoting a Multi-Sectoral Response to Road Safety, at the Mona Visitors' Lodge, UWI, Mona on August 2, 2012.

vehicle documents and membership renewal notices, as well as birthday greetings to members.

The JAA provides support for the JNGI's “Mobile Claims” service to offer a more efficient and convenient customer claims settlement in the aftermath of a motor vehicle accident; and its “Approved Automotive Repairers” programme assists in identifying certified motor vehicle repairers. This service emphasis, particularly in claims response, resulted in JNGI achieving high scores on the customer satisfaction surveys conducted by the Johnson Research Group.

In May 2012, the Association launched the Zenani Mandela Campaign for Road Safety in Jamaica. It is a United Nations Decade of Action for Road Safety initiative, targeted to improve road safety for children in South Africa and in emerging and developing countries. The campaign was supported by major Jamaican track and field athletes, including Shelly-Ann Fraser Pryce, Nesta Carter and Kaliese Spencer. The JAA also hosted President Jean Todt, of the Federation Internationale de l'Automobile (FIA), on his visit to Jamaica in August 2012, with a high level delegation, comprising regional FIA representatives.

The JAA and the JNBS Foundation developed the JAA Junior Clubs in Schools, a pilot project to be administered

by a National Steering Committee to include representatives from the Association's parent company, JN General Insurance Company (JNGI); and, the Ministry of Education, with support from the FIA Foundation. The clubs will be established in 50 secondary schools across the island to promote safe road use among students.

During this financial year, **Manufacturers Credit & Information Services Limited** (MCIS) reinforced its dominance in the regional market with its flagship brands ADVANCE, FleetCard and NCS FleetCard, and by expanding the number of fleets/vehicles under management, for companies operating fleets in Jamaica, Trinidad & Tobago and the Turks & Caicos Islands.

The company posted a 17 percent increase in profits compared to the previous financial year; increased the number of merchants accepting MCIS cards by 12 percent; and the number of fleets under management by 15 percent. Its Government of Jamaica service contract, which was tendered during the period, was also successfully renewed.

During the year, MCIS relocated its corporate offices to the same complex as its parent company, Management Control Systems, thereby benefiting from improved management synergies.

It is projected that in the next financial year, the company will implement new technology to improve the efficiency and management of its customer portfolio. In addition, a new state-of-the-art website is in its final design stage, and will be launched in 2013.

INFORMATION TECHNOLOGY

Management Control Systems (MCS) celebrated its 40th anniversary during the financial year, marking a milestone of technology accomplishments, as one of the oldest information technology companies in Jamaica and the Caribbean.

The company received an award from Diebold Inc., as the first institution to introduce Cash Recycling ATMs to the region, allowing for real time update of cash deposits made at these ATMs. It has also expanded its Diebold partnership; and, in addition to its operations in Jamaica, is in the process of expanding its ATM support services to eight other Caribbean islands, including the Cayman Islands, Barbados, and Trinidad & Tobago.



Archdeacon Patrick Cunningham (second left), St. Luke's Anglican Church, has the attention of (from left) Management Control Systems (MCS) representatives, Dwayne Russell, Deputy General Manager, Dianne Smith-Sears, General Manager, and Wendell Smith, Chairman. They were attending the company's 40th Anniversary Church Service at the St. Luke's Church in February 2013.

For the 2012/2013 financial year, MCS reported profits before tax and excluding dividends of \$82 Million, which is more than a 50 percent increase on the figures reported for the previous financial year. The company's customer base was increased by adding ten significant new corporate customers, and a website designed to drive business and improve the company's market share.

MCS intends to increase its regional presence during the next financial year. In addition to ATM solutions and services, the company continues to maintain a strong suite of IT solutions and services, including ACL-Audit compliance and business solutions across the English-speaking Caribbean; payroll services and solutions; mobile applications; as well as, enterprise hardware and software, to major corporate enterprises, small business customers and government.

CREATIVE SERVICES

The past year was an exciting one for the team at **The Creative Unit** (TCU), as the company was again challenged to undertake and execute several milestone projects on behalf of the building society and its subsidiaries.

These projects included the transition of NEM Insurance Company Limited to JN General Insurance Company Limited (JNGI), which involved logo development and the creation and implementation of an advertising campaign to create awareness of the name change among customers, agents and the general populace. The team was also instrumental in the launch of the JNGI's 'Arrive

General Manager's Report

Alive' road safety campaign and the installation of crash zone signs across the island.

TCU was involved in the conceptualisation and implementation of various events and promotional programmes, such as the celebration of Jamaica's Golden Jubilee and the London Olympics in the local and overseas markets which enhanced the visibility of JNBS, JN Money Transfer (JNMT) and JNGI. The celebratory 'Jamaica 50' building branding mounted at the JN corporate office in Half-Way-Tree was an attention-grabber and received very positive feedback. The JNMT and JNGI promotional campaigns 'Jamaica Inna Mi Heart' and 'Big 50' respectively, gave both entities a boost in terms of awareness and increased customer transactions.

During the year, there was a strategic plan to refine elements of the building society's operations which resulted in The Creative Unit becoming a division of the Society to allow for greater and more effective utilization of resources across the JN Group.

EMPLOYEE SUPPORT

We express thanks to our Executives, Senior Management team and staff members for their solid support and contributions which have helped us to maintain our position as one of the strongest, most secure financial institutions in Jamaica today. We recognise the value of our employees as our strongest and most visible asset; and applaud their role in the maintenance of our reputation for first class service delivery to members and customers.

The organisation went through a process of transition, which resulted in the contraction of our team numbers by approximately 100 persons, while we paid tribute and

said farewell to several members of our team including- Executives Wendell Smith, Emile Spence and Wanica Purkiss. We publicly recognise and thank them all, for their outstanding years of service to Jamaica National Building Society.

We also strengthened the Executive management team with the appointment of Curtis Martin as Assistant General Manager for Treasury and Investments; Dr Dana Morris Dixon as Business Development & Research Executive; and Karene Miller as Assistant Corporate Secretary. In addition, several members were promoted within the Executive team - Brando Hayden to General Manager, JN Fund Managers Limited; Shereen Jones to Assistant General Manager with responsibility for Operations and Information Technology; Tiffany Gordon to Mortgage Sales Executive; and Keisha Melhado-Forrest to Mortgage Operations Executive.

Regrettably, we also mourned the passing of a colleague, Mario Wyzard, who was a Member Service Representative at the Spanish Town and Linstead Branches.

MOVING FORWARD

The past year demonstrated the strength of the JN Group and the deep commitment of our team of employees. We are confident that we possess the strategy, resources, people and capabilities to establish Jamaica National as the provider of choice for financial services in the markets in which we operate. We are proud of our legacy of the past 139 years; and, look forward to building on this solid foundation in our 140th year.



Earl Jarrett, CD, Hon. LL.D, JP
General Manager



JNBS is the first financial institution in Jamaica to be ISO 9001:2008 certified

Heads of JNBS Subsidiaries



Philip Bernard
General Manager

Philip W. Bernard joined the Jamaica National Building Society in 2004, with a mandate to acquire, transfer and restructure the Jamaica Automobile Association.

A successful entrepreneur and project management consultant, he brought a synergistic mix of marketing, operations and management to his responsibilities. As a result, his remit was extended to include the development of the Society's ATM Network and the creation of the JNBS Community Banking Department, which guided the operations of JN Money Shops, ATMs, Branches in regions One and Six; and to oversee the installation of the JN Express self serve kiosks across the Society's network.

In 2011, Mr. Bernard was appointed Executive, with responsibility for Administration and Community Banking, the JN Money Shop network, Building and Office Services, Security, Mail and Courier Services and the Archives. In 2012, he was appointed as General Manager of JN Small Business Loans Limited.

Mr. Bernard attended Boston University, The University of the West Indies (UWI) and Howard University. He recently completed his Legal Education Certification at the Norman Manley Law School, UWI.



Duane Ellis
General Manager

Duane Ellis, a professional trainer, certified in light duty towing, recovery and automotive lockout services, joined the JN Group in 2005 and was appointed Operations Manager of the Jamaica Automobile Association (JAA) in October 2006 with responsibility for the Association's automotive services, information systems and client services. Following on his successful achievements in this area, Mr Ellis was appointed General Manager in 2010.

Mr. Ellis was instrumental in expanding the auto club's fleet management business; and carried out research and training of the technical staff, in collaboration with the American Automobile Association. He also conceptualized and established the Approved Auto Repairer (AAR) programme, aimed at raising and setting new maintenance standards for service delivery in the auto repairs sector. A strong advocate for road safety, he works closely with the National Road Safety Council; pilots road safety initiatives in schools; is an active participant in the Federation International de l'Automobile (FIA), the global motoring organisation and has been representing the JAA at international conferences and training seminars with the FIA since 2007.

Mr. Ellis has over 18 years experience in automotive repairs and a very keen understanding of the Automotive Industry. He also has membership in NAFA Fleet Management Association, International Association of Emergency Managers (IAEM), DIA Driving Instructors Association and in the Rotary Club of St Andrew North.

He is a graduate of the Mico University College and is currently enrolled in the University of London. He has also received training in Business Management and Development from Harvard Business School and Mona School of Business.

Heads of JNBS Subsidiaries

Brando Hayden brings more than a decade of diverse global experience to the JN Group, having specialised in the structuring and trading of securities across asset classes and geographical regions. His career in financial services began in the Emerging Markets Fixed Income and Foreign Exchange Group at Bankers Trust, in the USA, where he structured local currency products for Latin America, Eastern Europe and Middle East Africa. He also worked with Morgan Stanley, OTC; weather, natural gas and power products at Enron Global Markets; and OTC equity derivatives at UBS Warburg.

Mr. Hayden's experience also includes senior positions with financial firms in the Caribbean region where he specialised in the trading and structuring of securities in liquid markets; and he worked with several financial companies in Jamaica. Prior to his appointment as General Manager of JN Fund Managers Limited, Mr Hayden was Assistant General Manager with responsibility for Treasury and Investments at JNBS.

A graduate of the New York University Leonard N. Stern School of Business, Mr Hayden holds an MBA in Finance and International Business; and a MBA in Finance from The City University of New York.



Brando Hayden
General Manager

Chris Hind brings a wealth of experience in risk management within the Jamaican financial sector and sound knowledge of fiscal regulatory procedures to the oldest general insurance company in Jamaica. He has served as Head of Operational Risk for the JN Group and NCB; and, prior to entering the financial sector, was in charge of Special Investigations at the Revenue Protection Division of the Ministry of Finance and Planning.

He was appointed General Manager of NEM Insurance Company (JA) Limited in 2007; and was instrumental in guiding the re-branding of the company to become JN General Insurance Company Limited (JNGI) in 2012. Under his leadership, JNGI has delivered a much improved underwriting performance, rolled out an industry leading corporate outreach program and achieved excellent satisfaction ratings from its brokers and customers.

Chris is a graduate of the University of Bristol and the Cranfield School of Business in the United Kingdom. He likes to travel, is a keen student of current affairs and modern history and plays squash to keep fit.



Christopher Hind
General Manager



Leesa Kow
General Manager

Leesa Kow, an experienced business developer, researcher, and sales and marketing professional, has worked in the financial services, insurance, remittance and telecommunications industries, locally and internationally. She joined Jamaica National Building Society (JNBS), in 2003 as a Senior Manager; and spearheaded its remittance operations, through its JN Money Transfer brand; and was responsible for the growth and development of services, such as JN Money Transfer Card, intra-island remittance service and bill payment facilities, namely JN Bill Pay.

In 2006, she was appointed JN Group Marketing, Sales & Promotions Executive, with responsibility for the planning, marketing, promotions and sales functions of the Society and its subsidiary companies.

Subsequently, in 2008, Miss Kow was appointed General Manager of JN Money Services (JNMS), and has strengthened the brand's position, as one of the largest remittance service providers in Jamaica, with an international distribution network in the United States of America, the United Kingdom, Canada, Ghana, the Philippines, Guyana, The Cayman Islands, Dominica, St. Vincent & the Grenadines, Trinidad, Barbados, and Antigua.

Miss Kow is a graduate of The University of the West Indies, with a Bachelors of Science Degree, First Class Hons., in Management Studies and Accounting; and a Master of Science Degree, with distinction, in International Business.



Wanica Purkiss
General Manager

Wanica Purkiss, one of Jamaica's leading authorities on mortgages, who served Jamaica National Building Society (JNBS) for four decades as a Mortgage Operations Executive, was appointed General Manager of The National Building Society of Cayman in 2013; and maintains responsibility for the Society's Representative Offices in the United Kingdom, North America and Canada.

Ms. Purkiss led the development of JNBS's core business, mortgages; formulated lending policies; and ensured that operational structures supported the delivery of initiatives, which stimulated expansion, and contributed to positioning JNBS as the country's leading mortgage provider. In addition, she served in several areas including Internal Processing and Operations; and, as Manager of the Brown's Town and Duke Street Branches.

A graduate of the College of Arts, Science & Technology, now The University of Technology, Mrs Purkiss has also pursued academic programmes at The University of the West Indies and the Wharton School of Business.

Heads of JNBS Subsidiaries

Dianne Smith-Sears joined the Society in 2005 and has undertaken a number of roles over the years, the most recent being General Manager of Management Control Systems Limited (MCS) and its subsidiary, Manufacturers Credit & Information Services Limited (MCIS). In these roles, she has responsibility for overseeing the sales and operations for both companies, and in particular the support provided to the JN Group Information Technology projects.

Mrs. Smith-Sears is a career Information Technology specialist who has over 25 years working in the finance sector in leadership positions, governing all aspects of information technology. She has also led the sales and operations of the largest card services operations in Jamaica. She is a past Vice President of the Jamaica Computer Society, and has served on a variety of Boards in the past.



Dianne Smith-Sears
General Manager

Oliver Tomlinson joins the JN Group with more than six years experience in insurance sales force management. Before joining JNBS, he was Business Development Manager at NCB Insurance Company Limited, and prior to that he spent nine years at GraceKenedy Remittance Services, where he served as Senior Retail Distribution Manager. Mr Tomlinson will lead the operations of JN Life Insurance Company Limited, establishing the strategic direction of the company's insurance sales, and developing brand presence in the local market.

Mr. Tomlinson holds a Master in Business Administration from the Florida International University and a Bachelor of Science Degree in Government from The University of the West Indies.



Oliver Tomlinson, JP
General Manager



Employee of the Year 2012-2013: Mark Russell

Karen Gidden, Operations Support Supervisor at the St Ann's Bay Branch, describes Mark as a goal oriented individual.

"He takes time out to participate in team activities with one main goal - achieving the Society's objective as it relates to NSI," she noted. She points out further, that his courteousness, punctuality and willingness to help whenever needed, made him a perfect candidate for the award.

Reliability, flexibility and dedication are just some of the hallmarks of a fruitful professional life and are all attributes possessed by Mark Russell, Messenger, at the St Ann's Bay Branch.

Mark, who has been with the branch since April 2003, has proven to be an invaluable member of the team by extending himself beyond the scope of his job title. "I help to create sales opportunities for the Branch through in-house and outdoor promotions. I also support my colleagues at the Teller and Customer Service areas, where needed," he disclosed.

Mark describes his selection as Employee of the Year 2013, as humbling but also uplifting. "I have to thank my colleagues for helping to propel me to the heights that I have now reached, since I could not have done it alone," he said.

He acknowledged that working with Jamaica National has enabled him to develop and maintain strong relationships with his colleagues, as well as JN members and customers.

The employee of the year award has also come at a pivotal time in his professional life, as Mark will commence undergraduate studies in Management Information Systems at the University College of the Caribbean, in September 2013.

"Completing my degree will enable me to serve Jamaica National in other capacities which will help to further enhance the JN brand, and also my personal development," he added.

An avid football player, Mark also enjoys surfing the web, watching movies and sports, attending motor sport events and repairing computers.



Creating Value

Locally & Internationally



Our strength is your security.

With the JN Group, comes superior products and services designed to offer a lifetime of stability with increased value every day.

The JN Group, a wholly owned Jamaican multinational operating in Jamaica, the United States of America (USA), the United Kingdom (UK), Canada and the Cayman Islands, has been perfecting financial services delivery over the past 139 years.

The JN Group's wealth of expertise spans the following areas:

- Mortgages
- Savings
- Investment Management
- General Insurance
- Wealth Management
- Premium Financing
- Micro Finance and Small Business Lending
- Personal Lending
- Information Technology Solutions
- Remittances



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Pictorial

CELEBRATING
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ACHIEVEMENTS

BUILDING RELATIONSHIPS

EDUCATION

SPORTS

BUSINESS & FINANCE

CORPORATE SOCIAL RESPONSIBILITY

CELEBRATE 2012 OLYMPICS
& MEET JAMAICA, LONDON

JN STAFF PICTORIAL



ACHIEVEMENTS



JNBS now ISO 9001:2008 certified

General Manager, Earl Jarrett (3rd left) and Michele Pollard Gonzalez (3rd right), ISO Top Management Representative and members of the JNBS Enterprise Contact Centre- Quality Assurance (ECC- Quality) department, proudly display the ISO 9001:2008 QMS Certificate, which was awarded to JNBS in 2012. (L-R) Damian Hutchinson, Quality Assurance Officer; Donnett Bailey, Senior Service Officer; Tamika Walker, Quality Assurance Officer; Michelle Malcolm, ISO Project Manager; and Carlene Clarke, Manager, ECC- Quality.

Project Management Organisation of the Year awarded to JNBS



Earl Jarrett (sixth left), General Manager and Pam Thompson (fifth right), Chief Project Officer, Enterprise Project Management Office (ePMO), celebrate with ePMO team members.

Environmental Health Foundation presents “Wellness & Lifestyle Award” to JNBS



Maximilian Campbell (centre), Executive, JN Group Human Resource Development and Earl Jarrett, General Manager, proudly accept the “Wellness & Lifestyle Award” in the Industry & Service Provider category from Novlet Green, Director and Group Chief Executive Officer of the Environmental Health Foundation, at their award ceremony held April 24, 2012.

JNBS receives 2013 Gleaner Honour Award for Voluntary Service



Earl Jarrett (left), General Manager, who received the 2013 Gleaner Honour Award for Voluntary Service, congratulates Olympian Usain Bolt, who took the Global Jamaica Award. The Gleaner presentations for outstanding contribution to national development, took place at The Jamaica Pegasus Hotel in New Kingston on February 11, 2013.

JN cops Platinum and Gold!



Maximilian Campbell (left), JNBS Group Human Resource Development Executive, receives the Platinum Nation Builder Award from Noel DaCosta, Chairman of United Way of Jamaica (UWJ), on behalf of JNBS, at the Nation Builders Awards and Employee Awards Ceremony held at the Jamaica Pegasus Hotel on May 31. JNBS was recognized for donating between \$5 - 10 million to the UWJ during its 2011 fundraising campaign and was among 160 companies awarded for their contributions.



Alvaro Casserly (left), Past Chairman of the United Way of Jamaica (UWJ), presents the Gold Award for Employee Giving to Ransford Davidson, Senior Branch Manager, JNBS St. Ann Branches, at the UWJ's Nation Builders and Employee Awards Ceremony.

BUILDING RELATIONSHIPS



Annette Salmon, Principal Consultant of 20 Twenty Strategies Consulting, Mandeville, hands Earl Jarrett, General Manager, a business card, after his presentation on "NDX & You" at the JNBS Members' Meeting, held in Mandeville at the Golf View Hotel on March 5, 2013. Following the implementation of the NDX, the Society embarked on a series of Members' Meetings across the island to sensitize its members about the economic effect the debt exchange will have on financial institutions, and to also provide a platform for members to express their views.



Michele Pollard Gonzalez (right), Executive, Enterprise Contact Centre and Member Ombudsman, JNBS, in conversation with Michael Duval, JNBS member, at the Wealth Mixer mingle, which was held for new JNBS mortgagors. The event was held on January 12, 2013 at The Gazebo, Hope Zoo in St. Andrew. The event was aimed at building relationships with the new members; to provide pertinent information relating to mortgages, as well as informing them about JN Group products and services.

JN Group Disaster Recovery Programme Community Meeting

Lilieth Page (centre), winner of the raffle, accepts the generator from Earl Jarrett, General Manager, at the JN Group Disaster Recovery Programme community meeting, held at the St. Mary Parish Church Hall, Port Maria on Sunday, November 11. Participating in the presentation is Chris Hind, General Manager, JN General Insurance Company Limited. The Society held community meetings in St. Thomas, Portland and St. Mary, after the passage of Hurricane Sandy in October 2012, where residents were able to get updates on recovery efforts being carried out by their political representatives; the Jamaica Public Service Company and the National Water Commission.



Bryan Robinson (left), Member Service Representative, at the JNBS Half-Way-Tree Branch in St. Andrew, waits to assist Lester Duhaney into his new wheelchair purchased with funding from the JN Member Advisory Council, while Orett Douglas (second left), Business Relationship and Sales Advisor, JNBS Half-Way-Tree Branch, shares some encouraging words with Mr. Duhaney. Observing is a member of the public. The presentation was made at the JNBS Half-Way-Tree Branch on January 15, 2013. Mr. Duhaney, whose diabetic condition resulted in blindness and the amputation of his legs, expressed gratitude to the Society for the new equipment.



His Excellency the Most Hon. Sir Patrick Allen (left), is greeted by Delroy Foster, Supervisor for JN Small Business Loans Limited's (JNSBL) Region Four, during a tour of the JN House in August 2012 at the Denbigh Agricultural and Industrial Show on day two of the three-day show. Beside Mr. Foster is Her Excellency Lady Allen.



Troy Bygrave (right), Business Relationship and Sales Advisor, at the JNBS Portmore Pines Branch, greets Sween Williamson, Naggo Head Primary School Savers Coordinator, at the JNBS Members' Meeting held on February 19, 2013 in Portmore St. Catherine. Some 50 members turned out at the meeting to get information about JNBS mortgage, savings, loans and pension products.



Sharon Smith (left), Consultant, Business Development and Research, JNBS, introduces entrepreneurs, Dionne Foster and Johnnie Burnett, to the benefits of the JN Individual Retirement Scheme (JNIRS), during a forum organised for downtown Kingston small business operators at the JNBS Duke Street Branch in downtown Kingston in April 2012.



Robert Dennis (left), a bearer at Poly-Pak Jamaica Limited, showcases his HP Notebook laptop and back pack, which he won in the "Spin the Wheel" promotion at the JN Money Shop on Knutsford Boulevard in New Kingston in September 2012.



Llewelyn Bailey (third left), retired Assistant General Manager, JNBS, and incoming Chairman, Jamaica National Pensioners Association (JANAPA), and Dr. Blossom O'Meally-Nelson (second right), Chief Operating Officer, Aeromar Group and JANAPA AGM Guest Speaker, dance with members of JANAPA at the annual Luncheon held at the Terra Nova Hotel on December 17, 2012.

EDUCATION

National Mathematics Expo

Hasani Haughton, Sales Development Specialist, JNBS, speaks to students from the Donald Quarrie High School about the JN Educare Loan, at the National Mathematics Expo held at The University of the West Indies, Mona Campus on March 6, 2013, which is internationally recognized as World Math Day.



Spelling Bee Champions



Top Spelling Bee champions proudly showcase gifts they received from JNBS, following a tour of the Society's Chief Office and its Half-Way-Tree Branch operations on February 8, 2013. The trio was accompanied by their coach, the Reverend Glen Archer (second left), who coached all three top spellers this year and is the only coach to have won 24 national championships. From (L-R) is Ardenne High School student, Christopher Allen, winner of the championship, nine-year-old, Chaunte Blackwood, third place winner from Wolmer's Preparatory and Stephen Nelson of Glenmuir High School, second place winner. Also in the photo is Maximilian Campbell, Executive, JNBS Group Human Resource Development, who welcomed the spellers and their coach to the Chief Office.

JN 2012 GSAT Scholars



Brando Hayden (right), former Assistant General Manager, Treasury and Investments, JNBS, and Maximilian Campbell, (second right) Human Resource Development Executive, JNBS, provide words of encouragement to several boys who are recipients of JNBS scholarships. They were among 35 students who were recognized for outstanding performance in the 2012 Grade Six Achievement Test at a Scholarship Reception held at the JNBS Half-Way-Tree Branch on September 9, 2012.

Financing Higher Education



(l-r) Joy Dickenson, Manager, Office of Student Financing at The University of the West Indies (UWI), smiles with Franklin Johnston, Senior Advisor to the Honourable Minister of Education and Brando Hayden, former Assistant General Manager, Treasury and Investments, JNBS, before the commencement of a panel discussion at the Rex Nettleford Hall, UWI Mona Campus. Held on February 11, 2013, the event, themed, "Financing Higher Education", engaged students and stakeholders in a constructive exchange on the issues of financing tertiary education.

Universal Technology Education Project

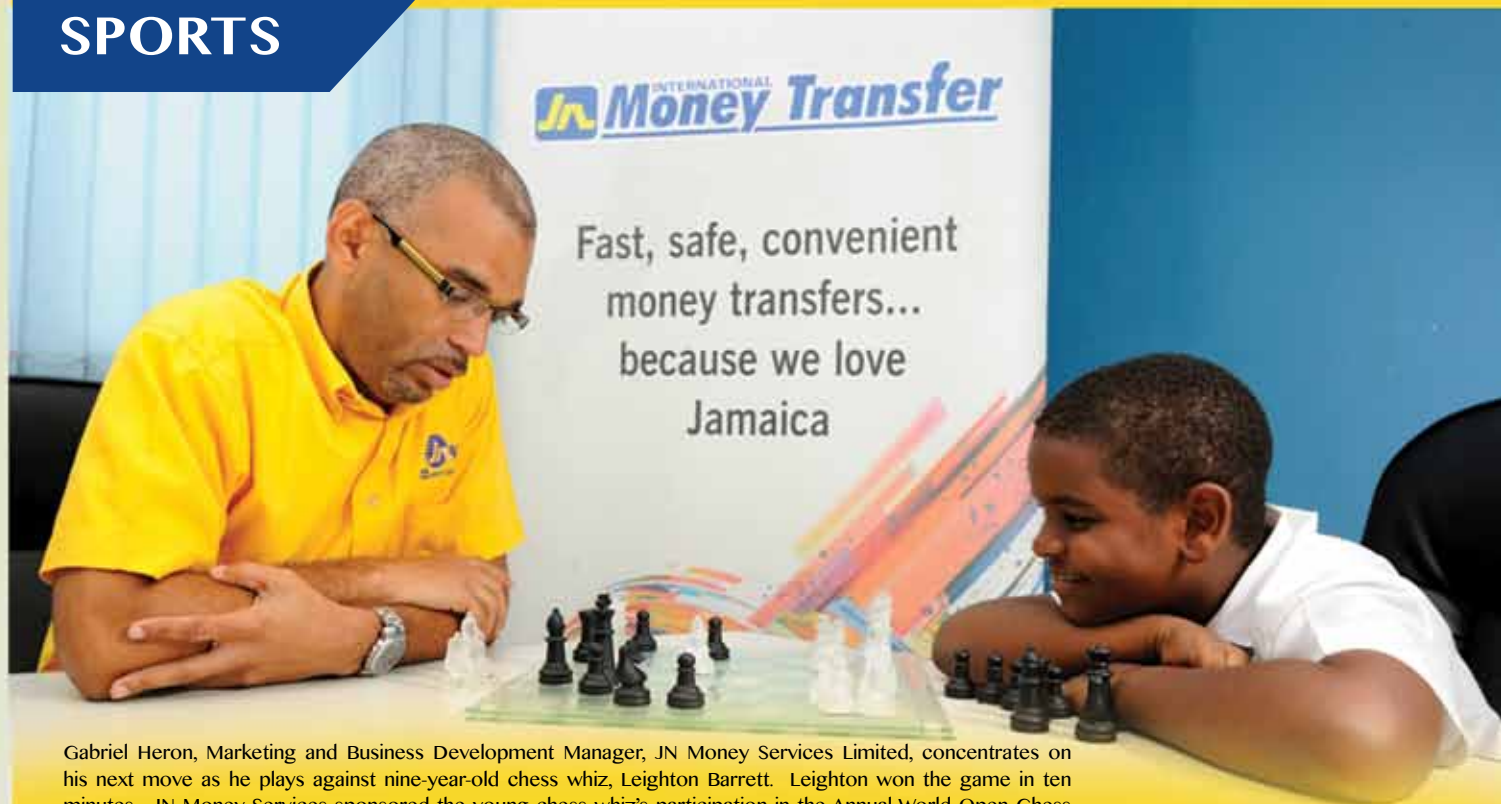


Rev. the Hon Ronald Thwaites, Minister of Education, listens to Michael Collins, Assistant Sales Manager, Jamaica National Building Society, as the two sign an agreement to launch the Universal Technology Education Project, at a function held at the Holy Trinity High School in Kingston on October 4, 2012. Also signing the agreement is Conrod Hanson, Chief Executive Officer, Cyber Schools Technology Solutions, developers of the Cyber School application. The computer programme will be used under the project to enhance learning in Mathematics, Physics, Chemistry and Biology. It is being funded by JNBS, while the Ministry of Education will monitor the programme.



Patricia Roberts (left), Director General, Jamaica Library Service (JLS), signs agreement with William Dewar (centre), Assistant General Manager, Sales Administration, Partner Relations and Logistics, Management Control Systems, to deliver 400 computers and provide uninterruptable power supply and application software to the JLS. Also participating in the signing is Hugh Cross, Chief Executive Officer, Universal Service Fund, which is funding the project. The contract was signed on October 19, 2012 at the Tom Redcam Drive headquarters of the Library Service in St. Andrew.

SPORTS



Gabriel Heron, Marketing and Business Development Manager, JN Money Services Limited, concentrates on his next move as he plays against nine-year-old chess whiz, Leighton Barrett. Leighton won the game in ten minutes. JN Money Services sponsored the young chess whiz's participation in the Annual World Open Chess Championship held in Philadelphia, Pennsylvania in the United States of America, July 4-8, 2012. The Sts. Peter and Paul Prep student finished fifth in the under 13 age cohort and third among players with international ratings below 900 points, making him one of the youngest Jamaicans to achieve this level internationally.

Premier League Awards Ceremony



Leon Mitchell (left), Assistant General Manager, JNBS, discusses their recent games against Panama with members of the Jamaica National Football team, "Reggae Boyz", (from L-R) Damian Stewart, Marlon King and Claude Davis, at the Red Stripe Premier League Awards ceremony, held on May 28, 2012 at the Courtleigh Auditorium, New Kingston.

2012 JN Invitational Meet



(l-r) Earl Jarrett, General Manager, JNBS, Hon. Lisa Hanna, Minister of Youth and Culture, Usain Bolt, World Record Holder, 100 and 200 metres and the Most Hon. Portia Simpson Miller, Prime Minister of Jamaica, pose for a photo at the JN Jamaica Invitational Meet at the National Stadium on May 4, 2012.



Carmelita Jeter (centre) representing the United States of America, crosses the finish line in first place in the Women's 100m race at the Jamaica National International Invitational Meet. In 2nd place was Kelly-Ann Baptiste (left) of Trinidad with Kerron Stewart (right) of Jamaica in 3rd place.

ESSA/JNBS Track and Field Championships

Buff Bay High's coach, Kevin Brown (second left) accepts the JNBS Champion School Overall Trophy from Michael Collins, (second right) Acting Sales Manager at JNBS, at the Eastern Championships at the National Stadium February 12, 2013. Sharing in the occasion (from left) are co-captains Kerron Cole and Sasha Wright, as well as ESSA president Richard Thompson.



JN Open Tennis Championship



Michael Collins, Acting Sales Manager, JNBS (left), with top seed Damion Johnson (2nd left), tournament director Llockett McGregor and second seed Dominic Pagon at the press launch of the Jamaica National Open Tennis Championship at the Liguanea Club, Kingston on November 28, 2012.

BUSINESS AND FINANCE



The State of the Jamaican Real Estate Market

Earl Samuels (left), Assistant General Manager of JNBS, addressing a panel discussion on “The State of the Jamaican Real Estate Market”, organized by the Jamaican Geographical Society and The Department of Geography & Geology at The University of the West Indies on April 19, 2012. Looking on are Howard Johnson Jr. (centre), President of the Realtors Association of Jamaica and Everton Dewar, Attorney-At-Law at E.J. Dewar & Company.

Lottery Scam Forum



Earl Jarrett, General Manager, Jamaica National Building Society, greets Michael Smith, President of FairPoint Communications Incorporated, a telecommunications provider in Maine, United States of America (USA). Looking on are Leesa Kow, President of the Jamaica Money Remitters' Association (JMRA) and Major Bill King of the York County Sheriff's Office, Maine. Miss Kow, Major King and Mr. Smith were presenters at a Lottery Scam Forum organized by JNBS. The forum was held in Kingston on November 7, 2012 and assessed the impact and implications of the growing lottery scam on Jamaica and the steps being taken to eradicate the scam.

Preserving and Promoting Mutuality Forum



John Sutherland, Senior Adviser, Financial Services Authority (UK), gestures during his address at a seminar for Preserving and Promoting Mutuality at the Wyndham Kingston Hotel in St. Andrew on October 9, 2012. Looking on are members of the Board of Directors, JNBS, and JNBS Executives.

Mortgage Indemnity Insurance Dialogue forum



Patrick Thelwell (right), General Manager, Jamaica Mortgage Bank, goes through the Mortgage Insurance Act with Earl Jarrett (centre), Chairman, Caribbean Association of Housing Finance Institutions (CASHFI), and Joseph Bailey (second left), Secretary General, CASHFI, at the Mortgage Indemnity Insurance Dialogue forum, Terra Nova Hotel, Kingston, held on November 9, 2012.

Compliance Department launches eComet training e-book



Justin Felice (second left), Chief Technical Director, in the Financial Investigations Division (FID), Ministry of Finance and Planning, shares a moment with Darlene Jones (right), Director, Jamaica Institute of Financial Services, Maximilian Campbell (second right), HR Executive, and Tasha Manley (left), Chief Compliance Officer, JN Group, at the launch of the JN eComet multi-media e-book at the Jamaica Pegasus Hotel on October 10, 2012. The training software is used to build awareness about money laundering and terrorism financing.

Proud Sponsor of Diaspora Conference



Hon. A. J. Nicholson (right) Minister of Foreign Affairs and Foreign Trade, shakes hands with Earl Jarrett, Chairman of the Jamaican Diaspora Foundation, with Hon. Arnaldo Brown, State Minister in the Ministry, looking on. The event was the launch ceremony for the 5th Biennial Jamaica Diaspora Conference on February 27, 2013 at Jamaica House.

Caribbean Bankers go for growth



(l-r) Hon. Christopher Sinckler, Minister of Finance and Economic Affairs, Barbados; Carlton Barclay, incoming Chairman of the Caribbean Association of Banks (CAB) and Deputy General Manager, JNBS and Gregory Fisher, Managing Director of Oppenheimer Inc., at the Association's 39th Annual Conference at the Montego Bay Convention Centre, St. James, on November 14, 2012.

CORPORATE SOCIAL RESPONSIBILITY

"We'll help you find a Way", one of the guiding principles of **Jamaica National Building Society (JNBS)**, is implicit in its on-going philanthropic projects, which continue to augment the lives of its members and Jamaicans in the wider society in the areas of education, health and social services.

Golden Age Home Cluster 'H': Cluster 'H', one of eight clusters at the Golden Age Home in Vineyard Town, St. Andrew, houses 64 residents with 13 caregivers. The Cluster continues to benefit from projects planned by the JNBS Cluster 'H' Committee, in partnership with the JN Foundation's Act!on Jamaica Volunteer Corps. Activities during the year under review included a Christmas party, Easter Treat, and the donation of personal care items from a special drive.

The Cluster continues to receive monthly cleaning supplies from Enviro-Tech Property Services, a janitorial company, based on an intervention by the JNBS Corporate Communications Department.



Golden Age Home: Cluster 'H'

Members of the Golden Age Home: Cluster 'H' Committee at JNBS and the JN Foundation Act!on Jamaica Volunteer Corps celebrated Easter with residents of Cluster 'H' on April 5, 2012. The group treated residents to gifts, bun and cheese and entertained through music, skits, and games.



Record sum raised for Jamaica Cancer Society by JN Group employees

JN Group employees gathered at the Police Officers' Club, on June 9, 2012, for the 10th staging of Relay for Life. The team raised more than \$600,000 for the Jamaica Cancer Society (JCS), the highest sum ever raised by a JN Team participating in the event. JNBS was awarded for the "Most Corporate Donations" by the JCS.

Relay for Life: JN Group employees retained their Gold Award from the **Jamaica Cancer Society (JCS)**, for being the highest corporate donor at **Relay for Life 2012**, held at the Police Officer's Club in St. Andrew, on June 8, 2012. Some 150 employees in The Group raised \$620,000 to support the annual fund raising event. The funds are used to finance programmes, which increase awareness about cancer prevention, testing and research.



JN Group supports 2013 Sagicor Sigma Corporate Run

Donovan Perkins, CEO of Sagicor Investments Jamaica Limited congratulates Maximilian Campbell, Executive, JN Group Human Resource Development and Tanya Pringle, JN Group Corporate Communications Manager, on the JN Group Team winning the Best T- Shirt Design for the 2013 Sagicor Sigma Corporate Run.

Sigma Corporate 5k Run/Walk: A team of 284 JN Group employees participated in the 15th annual Sagicor Sigma Corporate 5k Run/Walk, held in Kingston on February 17, 2013, under the theme: **"Healthy Spaces, Smiling Faces"**. They were among some 20,534 participants who raised funds in the sum of \$16,026,870. The JN Group was awarded First Place for the Best Corporate T-shirt Design, out of 26 entries, by the



284 Strong

JN Group team 284 Strong, at the 2013 Sagcor Sigma Corporate Run held on February 17, 2013.

Sigma Committee 2013; and won the “Perfect Roster Prize” for the accurate online registration of its 284 participants. The funds raised will benefit the Cardiac Unit at the Bustamante Hospital for Children, The Best Care Children’s Home and the National Children’s Home.



Maxfield Park Primary School Reading Session

Grade Two students at the Maxfield Park Primary School listen attentively to Stacey Manicksing, Pension Administrative Officer in the JNBS Business Development Unit, during a reading session conducted at the school on January 22, 2013.

Maxfield Park Primary School Reading Programme:

For the past five years, the JN Corporate Communication Department has remained true to its commitment to improve the literacy levels of students at the Maxfield Park Primary School in Kingston. JN employees visit the school monthly, to lead reading sessions for the Grade Two students.

During the past year, books for beginning readers and a DVD player were donated to the school, to enhance the programme. The theme of the project, “**Reading... the Bottom Line**”, seeks to improve the literacy standard of primary school students, and was initiated by The Private Sector Organisation of Jamaica (PSOJ) in 2008.



JN Group employees participate in UWI 5k Run/Walk

Members of the JN Group team pose for the camera following the inaugural CB Group/The University of the West Indies (UWI) 5K Run/Walk held at The UWI Bowl on November 18, 2012. The event, themed ‘**Walk Good, Run Great**’, was held to raise funds for sports development, scholarships and bursaries for students at the University.



Kiwanis Club of New Kingston/JNBS Fundraising Project for the Diabetes Association of Jamaica

Lola Chin Sang (centre), President of the Kiwanis Club of New Kingston, greets Mary Smith, Executive, JN Group Risk, at the press launch of the Kiwanis Club of New Kingston/ JNBS Fundraising Project for the Diabetes Association of Jamaica at the Wyndham Kingston Hotel on March 6, 2013. Looking on is Michael Collins, Acting Sales Manager, JNBS.

JN Scholarship Programme: As Jamaica celebrated its 50th year of political independence, the Society increased its 2013 tertiary and high school JN Scholarships. In addition, some 165 students continue to benefit from scholarships received during the past four years.

The **Jamaica 50 Scholarships** were awarded as follows: eight to The University of the West Indies; eight to The University of Technology; eight to Northern Caribbean University; and 27 to Grade Six Achievement Test (GSAT) students, including ten children of the JN Group employees, starting their 5-year high school studies. The Society also awarded five additional GSAT scholarships to JN members requesting assistance.

Best Care Children's Home: Jamaica National has supported the **Best Care Children's Home** in Kingston, for over a decade, and implements annual projects to assist in improving the lives of the residents. The Home nurtures approximately 47 children, ages 6-17 years. JN General Manager, Earl Jarrett, has been the Patron of the Home for the past nine years; and former JNBS Assistant General Manager, Llewellyn Bailey, is a member of the Board.

Sophie's Place: The initiative to adopt a ward at Sophie's Place, operated by Mustard Seed Communities, in Gordon Town, at the foothills of the Blue Mountain, was initiated by the JN Corporate Communications department in 2007. Since then, the project has expanded to include adoptions by other JN units, the Business Development Unit, the Finance Department, Risk & Compliance Units and the Enterprise Project Management Office (ePMO). Funds donated by employees are paid over to Sophie's Place on a monthly basis to take care of each ward's basic expenses.



JN supports Jamaica Business Council on HIV/AIDS (JaBCHA)

Kerreen Wilson, Project Assistant, Jamaica Business Council on HIV/AIDS (JaBCHA), makes a symbolic handover of a coin collection tin to Orett Douglas, Business Relationship and Sales Advisor, Half-Way-Tree Branch, on January 24, 2013. Jamaica National has endorsed support of JaBCHA's fundraising campaign by placing coin collection tins on teller counters in all branches and money shops across the island. The JaBCHA Coin Collection Drive, which will also take place in other organisations, aims to raise J\$1 billion dollars which will go toward achieving zero discrimination, reduce HIV infections and AIDS-related deaths



Santa Golf Tournament supported by JN Fund Managers and JNBS

Livingstone Morrison, Deputy Governor at the Bank of Jamaica (second right), accepts his **SANTA Golf Tournament** championship trophy from Paul Facey, Vice President-Investments, at Pan-Jamaican Investment Trust. Top sponsors, Keith Senior, Former General Manager of JN Fund Managers and Michael Collins, Acting Sales Manager, Jamaica National Building Society, shared the moment at the Constant Spring Golf Club in St. Andrew on, January 6, 2013.



Celebrates 2012 Olympics &



London and Birmingham buzzed with activity in July and August 2012 as Jamaica National celebrated Jamaica's Golden Jubilee and participation in the London 2012 Olympics. From the Midlands, where a warm welcome awaited the Jamaican Olympic team, to sponsorship of their training camp, open day and reception at the University of Birmingham; to "Jamaica in the Square" at Victoria Square; to the staging of the 'Interpretations' photo exhibition, Brixton Splash and 'I Love Jamaica' Day at Greenwich Park ... Britain was decked in black, green and gold, to celebrate the best of Jamaica.



'Interpretations'

I REMEMBER! A visitor reminisces on the circumstances that led to the Portabello Road riot in 1975 at the "Interpretations" photo exhibition at the Elephant & Castle Shopping Centre. The exhibition chronicled the journey of Jamaican families to the UK and life in their adopted country; as well as images captured by younger generations in Jamaica evoking strong memories of times past.



JN Summer Camp



Young British- Jamaicans do the maypole dance at the 2012 JN Caribbean Cultural Awareness Summer Camp.



Jamaican-born mayor of Southwark, Althea Smith (left) and UK Diaspora Advisory Board member Celia Grandison-Markey (2nd right) present certificates to summer camp participants.

A section of the large crowd enjoying the entertainment at 'I Love Jamaica' Day.



Brixton Splash



SIGN US UP! Even the Bobbies were in on the deal of getting information on JN's activities in the UK.



WELCOME PARTY

Birmingham residents admire one of the several JN billboards to welcome the Jamaican contingent to the city for their training camp at University of Birmingham before heading down to London for the Olympics games.

Athletes' Public Training Session



BUSINESS MEETS SPORTS

The world's fastest man, Usain Bolt (2nd left) and Chris Eubanks (right), former British boxer, hold court with Leesa Kow, General Manager, JN Money Services Limited; and Levi Roots, Jamaican-born British entrepreneur of Reggae Reggae sauce fame.



LIGHTING THE FLAME

Leaders of the Jamaican contingent to the London Olympics, Don Quarrie (left), Ludlow Watts (centre) and Dr Warren Blake (right) celebrate the team's presence at the University of Birmingham with university officials Sue Briggs and Zena Woolridge.



HANGING WITH THE STARS Members of the JN team hang out with Jamaican athletes Leford Green (2nd left) and Warren Weir (right) following a reception hosted in honour of the Jamaican Olympic team by the University of Birmingham.

'I Love Jamaica' Day



LONG LIVE THE KING of DOMINO!

The famous traditional pastime of Jamaican males lives on in the Diaspora.

Jamaican Minister of Industry, Investment & Commerce Anthony Hylton (left), Sir Albert Bore, head of the Birmingham City Council and Jamaican High Commissioner to the UK, Aloun Assamba (partially hidden), tour booths at 'Jamaica in the Square'.



Jamaica takes over 'THE SQUARE' in Birmingham



Staff Pictorial





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**When you're a JN Member,
you'll know the difference.**



How do you become a JN Member?
**It's easy,
just open a JN savings account**

Information required for opening an account:

- Proof of your identity in the form of a valid and current: drivers licence, passport, voter registration, or other photo ID
- Taxpayer Registration Number (TRN)
- Occupation and employment details and verification (pay slips, employment letter, etc)
- Verification of address (utility bill, cable bill, bank/credit card statement, post marked envelope bearing your address)
- The source from which you will finance your account
- Two character references
- Incorporation documents (in the case of a Company)

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- **Convenient Solutions**
- **Competitive Rates**
- **Flexible Options**

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at over 130 locations islandwide
(see full listing at www.jnbs.com)
- **UP TO 30% DISCOUNT**
on Motor Vehicle Insurance at
JN General Insurance 
- **UP TO J\$200,000 FREE**
Contents Insurance from 
JN General Insurance
if contents insured at J\$1M and over
- **UP TO 20% OFF**
Jamaica Automobile Association Membership
- **FREE ATM TRANSACTIONS**
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- Get access to **AFFORDABLE
JN GROUP HEALTH PLAN**

*Conditions Apply

Show your JN Teller 24/7 Card for Great Savings at JN Discount Merchants

ACCOMMODATION

- Altamont Court Hotel
- Altamont West Hotel
- City View Hotel
- Relax Resort
- Shields Negril Villas Ltd.
- Gloucestershire Hotel

ATTRACTIONS

- Dolphin Cove Ltd.
- John's Hall Adventure Tour

AUTO PARTS AND SERVICE

- Add Vantage Auto Parts
- Anderson's Auto Parts & Services
- Andre's Auto Supplies Company Ltd.
- Ankara Ltd.
- Beep Beep Tyres, Batteries and Lubes Ltd.
- Bert's Auto Parts
- Chad-Ad Distributors Ltd.
- Continental Auto Parts
- Dangel Auto Spares & Accessories Ltd.
- Dr. Glass Ltd.
- Global Tyres and Auto Service Ltd.
- Innovative Cleaners
- King Solomon Auto Supplies & Accessories
- Lorenzo's Motors and Service Centre
- Maxxpower Automotive Company
- Muffler Specialists Ltd.
- Power Steering Specialty
- P&L Racing Ltd.

BOOKS & COMPUTERS

- Angels Books and Variety Store
- Royale Computers & Accessories
- Sangster's Book Stores Ltd.
- Singer Jamaica Ltd.

CATERERS

- Great House Caterers
- Paradise Catering & Décor
- The Shiftaurant

CLEANERS

- Dry Clean USA

CONSTRUCTION & ENGINEERING

- Island Builder Leading Contractors

ELECTRONICS

- Conserve IT Ltd.
- Digital Systems & Supplies
- Fosrich Company Limited
- Geddes Refrigeration Ltd.
- GSM Smart Phones
- Harris Fire Safety
- Smart Mobile Solutions

EVENT PLANNING

- Moments of Magic Bridal & More
- Sincerely Yours - The Collection

FASHION

- Bill Edwards Clothing Company
- Golden Closet
- Ketanya Fashions Limited
- Kidz Kraze and Carryall Bags Collection
- Male Ego
- Payless Bargain Centre
- Shades of Africa
- Xtras

FLORISTS

- That Blooming Florist

GIFTS

- Creative Framing
- Moyann's Gifts & Accessories

HARDWARE/HOME

- Hardware & Lumber
- Hose Assembly & Supply Ltd.
- Home Central
- Living Spaces
- New Era Tiles & Finishes Ltd.
- Redway's Hardware Supplies
- Sherwin-Williams (W.I.) Ltd.
- Singer Jamaica Ltd.

HEALTH CARE PRODUCTS

- Convenient Ambulance Services
- Independent Livinge

HIREAGE

- KVG Hireage Ltd.

JEWELLERY

- Mall Jewellers
- Tropical Jewellers

LANGUAGE SERVICE PROVIDER

- The Language Cradle

LOCKSMITHS

- Mack Jones (Lock Smith)

OPTICIAN

- AB Vision Eye Care Center
- The Eye Care Centre Ltd.
- Optical Express Eye Care Ltd

PHARMACIES

- K's Pharmacy Ltd.
- Junction Pharmacy
- Lee's Family Pharmacy (Red Hills Road)
- New Dale Pharmacy
- New Zack's Pharmacy
- Thelmar's Pharmacy Co. Ltd.
- Ytecaves Pharmacy

PEST CONTROL

- ORKIN Jamaica

RESTAURANTS

- A Bar & Grill
- Almond Tree Restaurant
- Cuddyz Franchise One Ltd.
- Jimmy Buffett's Margaritaville
- OMG Restaurant & Coffee Bar
- Susie's Bakery & Coffee Bar
- White Bones Seafood Restaurant

SALONS

- Athena Salon
- Sophia's All Natural Beauty Salon
- S.J. Diamond Cut Barber

SPAS/GYMS

- Bella's Day Spa
- Gaia Day Spa
- Healing Rain Beauty Spa
- Spa Aesthetique
- Spartan Health Club
- The Barber Center & Spa
- Totally Male Ltd.
- Veronique's Day Spa

SECURITY

- Guardsman Alarms

WRECKING SERVICE

- Everett Fenton's Garage Ltd.

SHIPPING

- Shipwise

Values Statement

The success of Jamaica National Building Society is dependent on a set of core values, which relate to our dealing with our customers, colleagues, members, suppliers, regulators and the communities we serve. We are committed to the highest ethical standards, integrity, respect for all and excellence in all we do.

CUSTOMERS:

We will provide innovative, high value products and services delivered in a courteous, swift, accurate and personalized manner that meet or exceed our customers' needs.

STAFF:

We will create a safe working environment that fosters opportunities for meaningful, challenging and rewarding work, and the empowerment of staff. We will encourage open communication and teamwork throughout the organisation. We are committed to being an equal opportunity employer and to staff advancement and competitive compensation, which is based on consistently excellent performance.

MEMBERS:

We are committed to preserving capital, providing competitive returns and representing the interests of members. We will seek opportunities to provide services and benefits that are exclusive to our members and will encourage their participation in charting the direction of their Building Society.

SUPPLIERS:

We will honour our agreements and treat our suppliers fairly and will ensure that mutually rewarding relationships are fostered as we seek to obtain the best competitive advantage.

COMMUNITIES:

We will be a good corporate citizen, respected and admired as much for our integrity, insight and progressiveness, as for our financial success. We will take an active interest in the communities in which we serve and will encourage our staff members to do likewise.

REGULATORS:

We will know and comply with the letter and spirit of all relevant laws and regulations governing our operations in those countries in which we operate and keep the regulators informed about key issues relating to our business.





LEADING WITH ACTION





The Jamaica National Building Society (JNBS) Foundation was established in 1990 to manage and execute the philanthropic efforts of JNBS, by supporting the communities it serves across Jamaica, and developing programmes to contribute towards national development.

Today, the JNBS Foundation has significantly broadened its scope and serves not only to execute the charitable initiatives of the Society; but, also supports the major corporate social responsibility agenda of the entire JN Group, both at the community-base and nationally.

As a leading corporate foundation, with extensive strategic partnerships with JN Group subsidiaries, multi-laterals, local funders and other private sector organisations, the JNBS Foundation serves a dual role. It performs as a non-governmental organisation, which develops and implements several in-house projects, and it is also a grant funding agency, providing financial and technical support to other development organisations and community-based initiatives across Jamaica.

During the 2012/2013 financial year, the JNBS Foundation provided financial and other resources in excess of \$62 million to support its core themes of **Economic and Community Development; Arts, Culture and Heritage; Youth and Education; and Health, Safety and Security.**

A recipient of the Gleaner's Honour Award 2012 in the category of voluntary service, the JNBS Foundation is committed to "**Leading with Act!on,**" and encouraging all Jamaicans to take greater responsibility for positively shaping their own lives and others, by giving back to their communities. This report highlights some of the initiatives of the Foundation during the period under review.



ECONOMIC AND COMMUNITY DEVELOPMENT
Super 'Source' Opened in Savanna-la-Mar

'The Source' has become synonymous with the term "social enterprise franchise" in Jamaica, providing

residents of the underserved communities of August Town, Maverley, Ocho Rios and Treasure Beach with access to information technology, facilities and a tailored grouping of community services, in collaboration with civic and private sector partners.

In September 2012, the Governor-General, His Excellency the Most Hon. Sir Patrick Allen, officially opened The Source Savanna-la-Mar in Westmoreland and declared it an 'I Believe' centre. The centre is the fifth and largest in the chain and was established by the JNBS Foundation, in partnership with the Y's Menettes; Digicel Foundation; Citizens Security and Justice Programme of the Ministry of National Security; the Sugar Transformation Unit and the Universal Service Fund.

The Source Savanna-la-Mar is structured to include: an auditorium, computer lab, media library, document centre, Internet Café, healthy food café, recording studio and an amphitheater for the performing arts.



The Governor-General, His Excellency the Most Honourable, Patrick Allen (left), signed the "I Believe" wall at the official opening of The Source Savanna-La-Mar in Westmoreland on September 26. Looking on is Earl Jarrett, General Manager, JNBS and Chairman of the JNBS Foundation.



The Governor-General, His Excellency the Most Honourable, Patrick Allen (right) cuts the ribbon to officially open The Source Savanna-La-Mar on Barracks Road in Westmoreland on September 26, 2012. Sharing in the moment are: (from left) Hugh Cross, Chief Executive Officer, Universal Service Fund; Earl Jarrett, General Manager, JNBS and Chairman, JNBS Foundation; Claudeen Grenyion, Senior Business Account Manager, Digicel and Her Excellency Lady Allen.



Scores of patrons flocked to The Source Savanna-la-Mar community resource centre in Westmoreland for a free Health Fair hosted by the JNBS Foundation and the Organisation for International Development (OID) Health Fair on January 25 and 26, 2013. OID's team of 26 medical professionals from the United States of America worked way into the night carrying out examinations, dispensing glasses, medication, tooth brushes, and numerous gifts to the delighted throng of community residents.



Youth & Education

Inspiring Youth Advocacy through Photography

Since 2004, the Foundation's annual photography and advocacy competition programme, **Resolution Project**, has equipped and trained more than 1,000 high school students outside of the Kingston Metropolitan Area in photography, as a tool to inspire and influence stakeholder action.



Kamille Kirlaw, winner of the 2011/2012 JNBS General Manager's Award for Best Photo in the Resolution Project youth advocacy through photography competition programme, captures the hustle and bustle of Sam Sharpe Square, Montego Bay, following the Resolution Project Awards held at the Montego Bay Civic Centre on July 5, 2012. Kamille went on to win the title of Best Youth Photograph in the National Visual Arts Competition 2012 hosted by the Jamaica Cultural Development Commission.



Students from the Grange Hill, Mannings and Petersfield High Schools in Westmoreland enjoy a photo op following a Resolution Project regional workshop held in the parish during 2012.



Pediatrician, Dr. Bruce Henry (left), examines a student from the Savanna-la-Mar Primary School at the recent Organization for International Development /The JN Source Savanna-la-Mar Health Fair held on January 23-24, 2013. More than 400 residents from the surrounding communities of Russia, Seaton Crescent, Barracks and Grotto benefitted from the health fair, which was sponsored in part by Event Tents & Rental, the Member of Parliament for Central Westmoreland, Hon. Roger Clarke and Rainforest Seafood.

The project continues to widen the reach and exposure of student photographs to achieve awareness about their stated advocacy issues. In July 2012, the Resolution Project was awarded the Summit Prize for the Top School/Group in the National Visual Arts Competition. In summer 2012, the students' works were displayed during a month-long exhibition at the Elephant and Castle, headquarters of the Society, in London, United Kingdom. A special community project, the Alpha Boys Resolution Project, was also implemented in December 2012, benefitting 15 wards of the state at the Alpha Boys School in Kingston.

Student photographs are on permanent exhibition at both the Norman Manley and Sangster International Airports and are available for purchase through the JNBS Foundation. Proceeds from the sale of photographs assist the continuing work of the Resolution Project, the student photographers and respective Photography Clubs within project schools and communities.

Parents Reading with Babies and Toddlers

Jamaica Library Service's "We Likkle but We Tallawah, Parents Reading with Babies and Toddlers" programme received a grant from the JNBS Foundation in 2012 to encourage early literacy development. In all parish libraries across Jamaica, designated storytelling corners provide access to books, toys and other learning materials for parents to bond and engage their children in reading.

Engaging Children First

An alliance of developmental agencies, Children First, the Violence Prevention Alliance and the JNBS Foundation, has established three new Source Learning Business Centres in the parishes of St Catherine and St Thomas, to provide new opportunities for community members.

JNBS Foundation Review

Health, Security & Safety

Life-saving Equipment for UHWI

Health-care professionals at The University Hospital of the West Indies (UHWI) are better equipped to treat patients with life-threatening neurological disorders having acquired a US\$45,000 plasmapheresis machine, funded by the JNBS Foundation. The machine is the first of its kind in the English-speaking Caribbean, and will treat more than 100 persons annually, with debilitating neurological conditions.



Saffrey Brown (left), General Manager of the JNBS Foundation, explains the use of the Caribbean's first Plasmapheresis machine to (from second left) Dr. Fenton Ferguson, Minister of Health; Professor Michael Lee, Head of the Department of Medicine, The University of the West Indies (UWI) and Dr. Francene Gayle, Consultant Neurologist at The University Hospital of the West Indies (UHWI) and Lecturer in the Department of Medicine at UWI.

Boost for Cancer Testing at KPH

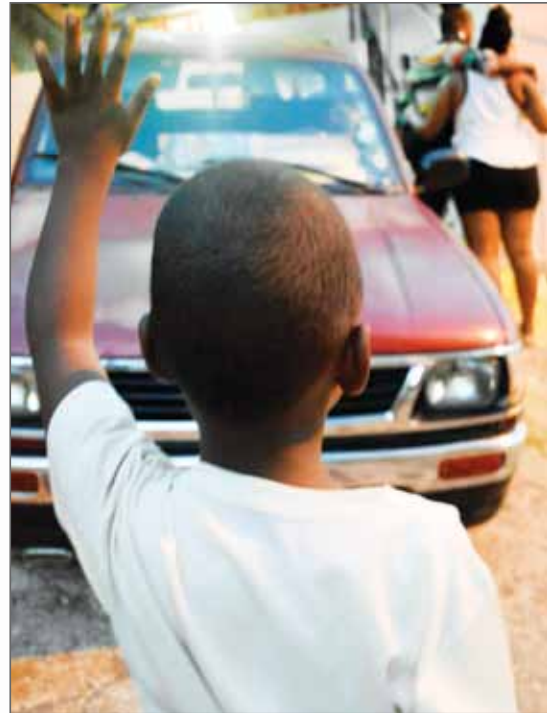
The Urology Unit at the Kingston Public Hospital has increased its capacity to save lives with a grant to purchase cancer-testing equipment. The equipment will increase the number of patients served by the Unit from some 300 biopsies per year to 500. The largest non-user fee Urology Unit in Jamaica serves as a referral point for the South East Regional Health Authority, which includes the parishes of Kingston & St. Andrew, St. Catherine and St. Thomas.



JAA Junior Clubs in Schools

Jamaica Automobile Association (JAA) Junior Clubs is a pilot project, in collaboration with the JNBS Foundation and JN General Insurance Company Limited, with the assistance of the

National Steering Committee, the Ministry of Education, and the FIA Foundation, which will establish road safety clubs in 50 secondary schools island-wide. The Clubs will



"SAFETY BEGINS WITH YOUTH"

Westwood High School's Naomi Redway took first place in the JAA Junior Clubs in Schools Photography Competition in collaboration with Resolution Project. Her photo "Safety begins with YOUth" speaks to the importance of youth advocacy on road safety issues.

promote road safety and proper road use within schools; and reduce the number and frequency of road crashes and fatalities through improved road user behavior. The initiative will also increase the awareness of, and interest in mechanical related careers, as well as raise the level of enthusiasm and participation in the motor sports industry, locally. These educational programmes will be conducted in schools starting in September 2013.



More than 160 Act!on Jamaica and other volunteers pose for a photo after repainting the Danny Williams School for the Deaf in Kingston on Labour Day in May 2012.



Volunteers in Act!on

Act!on Jamaica Volunteer Corps

Act!on Jamaica, the first national volunteer corps of its kind, was developed and launched by the JNBS Foundation in March 2012. The corps fosters civic engagement and empowers Jamaicans to become active participants in the nation's development, one community at a time. During the period under review, a total of 53 volunteers were mobilised to participate in eleven projects, and to assist in several other corporate social responsibility activities across the JN Group. Some of the projects undertaken included:

Face-lift for Danny Williams School for the Deaf

With contributions from the JNBS Foundation, Bloom Foundation and BH Paints, more than 160 Act!on Jamaica and other volunteers participated in a Labour Day Project in May 2012 to repaint the Danny Williams School for the Deaf.

Celebrating Children for International Mandela Day

For the 2012 observance of International Nelson Mandela Day, the JNBS Foundation partnered with Children First, St Catherine, and the Young Men's Christian Association in Kingston, to host two simultaneous wellness and recreational clinics, dubbed 'Act!on 67', in celebration of the day. More than 200 children enjoyed the educational and recreational activities hosted by the Volunteer Corps on July 18.

Help for the Homeless

On December 1, 2012, Act!on Jamaica Volunteers assisted the National Council for Voluntary Services (NCVS) in hosting a drive to collect food, clothing and hygiene packages from JN Group employees and members of the public. The corps also assisted the NCVS in executing its Day of Care Initiative a week later to distribute packages to approximately 600 homeless individuals in downtown Kingston.

Members in Act!on

JNBS Member Advisory Councils

Piloted by the loyal members of JNBS, the JNBS Member Advisory Councils (MAC) provided grant funding for more than 200 community projects since its reorganisation in 2006. Through the MAC, JNBS member representatives and employees in all JNBS branches and Money Shops identify projects within their communities which are



A group of children paint in tribute to Nelson Mandela on International Mandela Day on July 18, 2012.



Act!on Jamaica volunteers distribute clothing as part of the National Council for Voluntary Services.



JNBS Duke Street Member Advisory Council supports Alpha Primary School

Members of the JNBS Foundation's Action Jamaica Volunteer Corps, (l-r) Angella Booth, Aldene Hall-Dixon, Kemar Nolan, Rashida Bignall, Warren Gordon, Daniel Howell, and Judith Walker-Patterson, paint the main gate of the Alpha Primary School in Kingston on November 24, 2012. A J\$300,000 grant for the construction and repainting of the gate was provided by the JNBS Duke Street branch Member Advisory Council (MAC), with funding from the JNBS Foundation.

JNBS Foundation Review

geared at creating sustainable change. The following are some featured projects:

A Safer School Population at Alpha Primary School JNBS DUKE STREET

The safety and security of the students at Alpha Primary School in Kingston has been improved with the installation of two new gates and the repainting of a pedestrian crossing by the JNBS Duke Street MAC and members of the Act!on Jamaica Volunteer Corps.

Mandeville Fire Station Boosts Awareness JNBS MANDEVILLE

The donation of a projector improved the capacity of the Mandeville Fire Station to make safety and security presentations to residents in the parish.

A Cleaner Town JNBS LINSTEAD

With a donation of 15 garbage bins, strategically placed around Linstead, the Parish Council and residents are hoping to see a cleaner town.

Edgehill School JNBS OCHO RIOS

A cooler auditorium and classrooms, brighter walls and a fresh paint job have improved the attitude of the students at the Edge Hill School of Special Education in St. Ann.

Christmas Chair Donation JNBS HALF-WAY-TREE

Lester Duhaney, a blind and physically challenged member of the Society for some 30 years, received a special Christmas gift of a new wheelchair to enhance his mobility.

A Cleaner, Safer Frenchman's Beach JNBS JUNCTION

With the erection of two lifeguard stations, the acquisition of two lifeguard rings and the strategic placement of jumbo garbage bins, Frenchman's Beach in St. Elizabeth is safer and more environmentally friendly.



Portmore Mosquito Eradication JNBS PORTMORE PINES

The St. Catherine Health Department received a boost in its drive to reduce the transmission of mosquito-borne diseases, with funding provided to the Portmore Mosquito Control Programme to purchase protective gear and equipment for their 12-member vector control team.



Owen Forbes (second right), Supervisor, Vector Control Unit, St. Catherine Health Department, tests out a fogging machine, which was presented to the Department by Troy Bygrave (second left), Business Relations & Sales Advisor of the JNBS Portmore Pines Branch on October 5, 2012. Participating in the handover are Dr. Juliette Fagan, Member of the JN Portmore Pines Member Advisory Council (MAC) and Howard Lynch (left), Parish Manager, St. Catherine Health Services.

Cornwall College Drum Corps JNBS MONTEGO BAY

A new set of drums, bugles, cymbals, percussion instruments and mallets will bring the dormant Drum Corps of the Cornwall College Cadet Corps back to life. The donation was a major enhancement to the Unit, which had been suffering from a dire shortage of instruments.

JNBS Subsidiaries

As part of the thrust to enhance the relationship with its key stakeholders, in 2012, the JNBS Foundation sought to enhance the impact of the existing corporate social responsibility (CSR) programmes of JN Group subsidiaries by forming strategic partnerships based on the core values of each entity.

JN Fund Managers Limited's support of the Junior Achievement Company of Entrepreneurs High Schools' Entrepreneurship Competition is benefitting 240 students from 10 high schools across the island.



Annette Clayton Baker (2nd right), Vice President for Marketing & Public Relations at JN Fund Managers (JNFM) and Richard Johnson (left), Marketing Assistant at JNFM, address a group of students during the Junior Achievement Company of Entrepreneurs third Annual General Meeting (AGM) held on Wednesday, January 13, 2013 at the Jamaica Conference Centre in Downtown Kingston. JN Fund Managers Limited sponsored seven high schools participating in the Junior Achievement Jamaica (JAJ) programme in addition to covering the application fees for the passports for approximately 100 students.

JN General Insurance Company (JNGI) Limited is playing its part to reduce the incidence of road crashes and fatalities by supporting the Mona Geoinformatics Institute's Road Crash Mapping and Spatial Analysis Project, the Crash Hot Spots Road Safety project and the 'Tek Time Drive... Arrive Alive' Road Safety Campaign. The company also donated six laptops and projectors to primary schools and hosted the 2nd Annual Bookworm Bites Summer Read Competition.



Kyana Edwards (centre), Wolmer's Preparatory School Grade 5 student, a winner of the Bookworm Bites Summer Read 2012 competition, accepts a laptop computer from Lynford Reece, Senior Manager, Distribution & Marketing, JNGI. The presentation at Wolmer's Prep on November 9, was witnessed by (from left), her parents Sergeant Linford Edward, Jamaica Constabulary Force; Keisha-Clarke Edwards, a teacher at Wolmer's Prep; and Principal Lorna Downie.



Dominic Plummer, grade two student, Albion Primary School, Manchester, reads a passage from "The Holiday" one of several books, learning aids and furniture donated to the school by The Jarrett Foundation, a UK-based charity operated by second and third generation Jamaicans who migrated to the UK. The donation was made on March 4, 2013. From left to right: Gabriel Heron, Marketing and Business Development Manager, JN Money Services Limited; the Jarrett Foundation's Local Representative, Craig Larmond; CEO, Jarrett Foundation, Pearl Jarrett and Loxley Dillon, Teacher at Albion Primary.



Employees of JN Money Services Limited (JNMS) and Action Jamaica volunteers host a reading session with children at the SOS Children's Village.

JN Money Services (JNMS) Mobile Enrichment Cart Programme, under the Foundation's Jamaica Partnership for Education initiative, continues to facilitate improved performance outcomes in reading and mathematics at the primary and junior high levels. JNMS customer rewards programme provided the opportunity for The SOS Children's Village to receive \$100,000.

JN Small Business Loans (JNSBL), in partnership with the Inter-American Development Bank, JNMS and JNBS Foundation, implemented the Script Agent Programme, which provides banking services to the unbanked and under-banked in rural communities across Jamaica.



In its fifth and final year of operation, the **Centres of Excellence** programme, the flagship initiative of **The Mutual Building Societies Foundation**, has left six non-traditional high schools across rural Jamaica in a much better position than they were half a decade ago.

Established through a unique partnership between the **Jamaica National Building Society** and **The Victoria Mutual Building Society** in 2008, the high schools under the \$100 million programme: **McGrath** in St. Catherine; **Mile Gully** and **Porus** in Manchester; **Godfrey Stewart** in Westmoreland; **Green Pond** in St. James and **Seaforth** in St. Thomas, have all benefited tremendously from a series of targeted interventions that have resulted in significant improvements in the quality of teaching, leadership and administration.



Winners of the "I am the Change" Schools' Business Competition and Expo, Mile Gully High School, and their teachers, pose with their prizes and trophies. The expo and competition was held at The Mona Visitors' Lodge and Conference Centre on May 31, 2012. Sharing their moment is Kimala Bennett (second from left), Managing Director of The Business Lab, the project managers of the "I am the Change" Youth Entrepreneurship initiative and Dr. Renee Rattray (fourth from left), Programme Manager at the Mutual Building Societies Foundation (MBSF), which manages the entire entrepreneurship initiative under its Centres of Excellence programme in partnership with Digicel Foundation.

All six schools have received equipment to improve organisational efficiency, and through partnerships with the Ministry of Education and experts in the field, various capacity building interventions have been implemented, which have resulted in improved teacher quality. These interventions have resulted in key organisational improvements, as teachers, middle managers, principals and boards have implemented:

- Well developed school improvement plans
- Effective management tools using data
- Means of tracking student performance using data
- Improved their management of teacher instruction
- Developed department plans based on targets
- Systems of accountability for principals and middle managers
- Math and Literacy programmes
- Consistent lesson observations

Stronger home-school-community partnerships have also emerged, as schools host regular town hall meetings and other activities which have successfully generated participation and stronger support from parents, guardians and the community at large.

The Journey to Excellence



Andera Reid, Head Girl at the Porus High School in Manchester, shares with parents and community members the improvements observed at her school since its participation in the Centres of Excellence programme, during a Town Hall Meeting organised by the Mutual Building Societies Foundation (MBSF) on May 16, 2012. The meeting was aimed at strengthening the partnership with the school and its surrounding communities. According to Andera, the school has seen an improvement in academic performance and discipline since becoming a part of the programme. Beside her is Dr. Renee Rattray, Programme Manager at the MBSF, while listening from the head table from left to right are: Michael Stewart, Principal; the Hon. Sally Porteous, Custos of Manchester and Her Worship the Mayor, Councillor Brenda Ramsay, Mayor of Mandeville.

As a result of the various activities and interventions implemented under the programme, each Centre of Excellence school has experienced a dramatic transformation in culture as students, staff, parents and communities have become attuned to the mantra "We expect success and nothing less." More than 85 percent of the students and teachers report satisfaction with the improvements observed and similarly improved student attitude and behaviour has been observed in the reduced numbers of fights and suspensions recorded, as infractions reduced by some 65 percent.

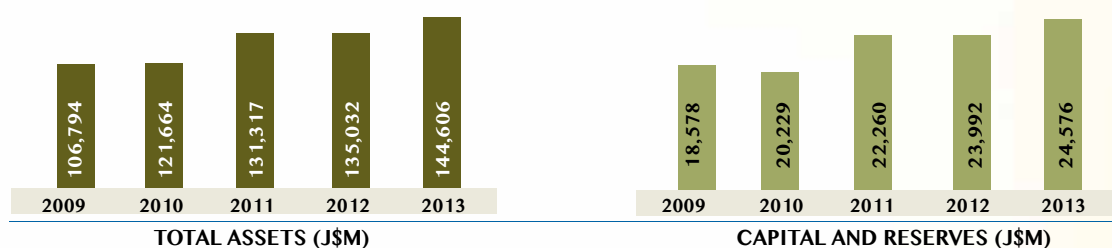
Over the five-year period, all six schools, on average, doubled the number of students sitting the five core subject areas, including Mathematics, English Language and Integrated Science in the **Caribbean Secondary Education Certificate Examinations (CSEC)**, up from 1600 students registered in 2008 to over 3500 in 2012; while the schools also doubled, on average, the number of CSEC passes. The percentage of students passing was nearly tripled in some schools. The improvements in performance resulted in some schools attracting students with higher **Grade Six Achievement Test (GSAT)** scores, which did not pertain prior to the Centres of Excellence programme.

In addition to the improved performance at the academic level, the MBSF, through a partnership with **Digicel Foundation**, has helped to foster innovation among students under the **Young Entrepreneurs 'I am the Change'** initiative, creating a platform for them to go beyond traditional employment into not only starting and managing their own businesses, but to become innovators who will help to grow the island's knowledge economy. The Young Entrepreneurs initiative, which was introduced in 2011, boosted the confidence and leadership skills of student participants and also resulted in an average 8.3 percent increase in students' grade point average in year one of the programme and a 7.6 percent at the end of year two.

The lessons learnt and successes attained under the Centres of Excellence programme will form the basis of a report which will be shared with the Ministry of Education for implementation in high schools facing similar challenges.

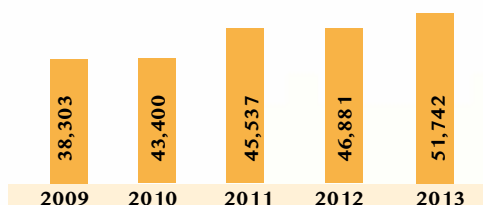
JN Group Financial Highlights

	2009	2010	2011	2012	2013	2010 v 2009	2011 v 2010	2012 v 2011	2013 v 2012
Total Assets (J\$M)	106,794	121,664	131,317	135,032	144,606	13.9%	7.9%	2.8%	7.1%
Capital & Reserves (J\$M)	18,578	20,229	22,260	23,992	24,576	8.9%	10.0%	7.8%	2.4%
Loan Balance (J\$M)	38,303	43,400	45,537	46,881	51,742	13.3%	4.9%	3.0%	10.4%
Total Savings Fund (J\$M)	59,138	67,715	72,663	73,375	79,642	14.5%	7.3%	1.0%	8.5%
Liquid Funds (J\$M)	62,103	71,432	77,410	79,828	83,571	15.0%	8.4%	3.1%	4.7%
Total Operating Revenue(J\$M)	14,125	16,800	13,861	14,450	14,694	18.9%	-17.5%	4.3%	1.7%
Surplus before taxes (J\$M)	1,807	1,700	1,756	2,965	1,590	-5.9%	3.3%	68.9%	-46.4%



Total Assets up 7.1%
from \$135.0B to \$144.6B

Capital & Reserves up 2.4%
from \$24.0B to \$24.6B



Loans to Members up 10.4%
from \$46.9B to \$51.7B



Members' Savings balances up 8.5%
from \$73.4B to \$79.6B

Liquid Funds up by 4.7%
from \$79.8B to \$83.6B



Executives



Carlton Barclay, ACCA, MBA
Deputy General Manager

As Deputy General Manager, Mr. Barclay is responsible for overseeing the management and financial performance of the major subsidiaries of the JN Group, which consists of 19 companies and three Overseas Representative Offices. He also represents the Society in the capacity of Director on the Boards of most of the companies within the Group.

Mr Barclay began his tenure with the Society as Finance Manager from 1993 to 1998. He re-joined the Society in August 1999 as Financial Controller and was appointed Assistant General Manager in May 2005. During his leadership, the Society experienced significant growth in assets and profitability, leading to its present position of being the largest building society in Jamaica and the Caribbean. Mr. Barclay has played a significant role in all the strategic initiatives undertaken by the Society in the past 13 years.

Qualifications:

- MBA, Kellogg School of Management - Northwestern University
- Chartered Certified Accountant, (ACCA), Emile Woolf College of Accounting UK

Directorships/Affiliations:

- Chairman, Caribbean Association of Banks Incorporated, (CAB)
- Chairman, Strategic Planning and Advocacy Sub-Committees, CAB
- Chairman, Current Affairs Committee, Institute of Chartered Accountants of Jamaica (ICAJ)
- Member, Rotary Club of St. Andrew North
- Fellow of the Association, FCCA





Carlton Earl Samuels, CD, JP, FCA, FCCA, MBA
Assistant General Manager
Group Finance and Mortgage Operations

Carlton Earl Samuels has had a distinguished career in the field of Financial and General Management. As Financial Manager and Consultant, he has worked in several private and statutory organisations, and was appointed Assistant General Manager – Group Finance and Mortgage Operations, at the Jamaica National Building Society in 2011.

In his capacity as Managing Director of the National Housing Trust (NHT) from January 1998 to March 2010, Mr. Samuels was known for his financial acumen, professionalism and passion for excellence. In recognition of his outstanding leadership at NHT, he was awarded the National Honour, Order of Distinction (Commander Class) on May 23, 2006 for his contribution to the housing sector.

He served on several civic boards and societies thereby contributing to community and national development. In 1997, he was the recipient of the University of Technology (UTECH) Outstanding Alumnus Award and, in 2006 he received the Distinguished Rotarian Award from the Rotary Club of St. Andrew.

Qualifications:

- Diploma in Accounting, College of Arts, Science and Technology (now University of Technology)
- MBA, The Chapman Graduate School, Florida International University
- Certificate, Wharton Real Estate Business School, University of Pennsylvania
- Fellow, Association of Chartered Certified Accountants (UK)
- Fellow, Institute of Chartered Accountants of Jamaica

Directorships/Affiliations:

- Chairman, International University of the Caribbean Foundation
- Chairman, Audit Committee, University of Technology
- Chairman, Finance Committee, Chase Fund
- Chairman, Property Development Committee, Devon House Development Co. Ltd.
- Council Member, University of Technology
- Director and Member of Finance & Personnel Committees, United Way of Jamaica
- Director, Chase Fund
- Trustee, Cornwall College Trust





Executives



Shereen Jones, MSc

Assistant General Manager
Group Operations and Information Technology

Shereen Jones is tasked with overall responsibility for Operations and Information Technology across the JN Group outside of Management Control Systems (MCS) Limited and Manufacturers Credit & Information Services (MCIS) Limited. She joined JN in 2006 as General Manager of MCS and assumed the position of Group Executive – Information Technology, in October 2009. However, she has had a long association with JNBS, assisting with the implementation of the Phoenix Banking project as a consultant in 1999. She was appointed Assistant General Manager, Group Operations and Information Technology in February 2013.

Qualifications:

- BSc, Computer Science, First Class Honours, The University of the West Indies
- MSc, Computer Science, Honours, Pennsylvania State University

Directorships/Affiliations:

- Director, SwimJamaica
- Member, Toastmasters International



Leon Mitchell, Dip M, BBA, MBA
Assistant General Manager
Group Marketing, Sales & Promotions

Leon Mitchell is responsible to identify and implement strategic business opportunities, locally and overseas. Since joining the Society in 1999, he has been appointed to several positions, including Overseas Business Development Executive; CEO JNO (UK, USA, and Canada) Ltd.; and JN Group Executive, Marketing, Sales & Promotions

Qualifications:

- Bachelor of Business Administration, University of Technology
- MBA, Florida International University, Beta Gamma Sigma

Directorships/Affiliations:

- Chairman, Fund Raising Committee, Jamaica Red Cross
- President
 - Jamaica Hockey Federation
 - Kingston Commissioners (Masters League) football team
 - Constant Spring Football Club.
- Director
 - JN Money Services (UK, USA, and CANADA) Ltd.
 - Independent Park Limited (IPL)
- Member
 - Jamaica Athletics Administrative Association Limited (JAAA) Marketing Committee
 - Kiwanis Club of Kingston
 - Kingston Cricket Club





Executives



Curtis Martin, MBA

Assistant General Manager
Treasury and Investments

Curtis Martin joined the Jamaica National Building Society (JNBS) in July 2013, with more than two decades of experience in banking, corporate finance and treasury and investment management. In his capacity as Assistant General Manager, Treasury and Investments, he is charged with advising the Group and the Board on treasury, investment and strategic issues and driving the profitability of the Treasury Division of the Society, while ensuring that the relevant regulatory and risk conventions are adhered to.

Mr Martin previously worked in a number of capacities with the Capital and Credit Merchant Bank Group for more than 18 years. As President and CEO of the Capital and Credit Merchant Bank Group for nine years, he led the Group to generate substantial securities and foreign exchange trading gains. He was appointed Interim President/CEO of the Capital & Credit Merchant Bank, when it became a member of the JMMB Group in 2012. He has also worked at the Bank of Jamaica and the Pan Caribbean Merchant Bank.

As Chairman of the Jamaica Stock Exchange & Jamaica Central Securities Depository (2006-2011), he led the diversification of the organisation's revenue stream through the development and launch of the Junior Stock Market, JSE Trustee Services, JSE E-Learning Institute and the Caribbean Exchange Network (CXN)

Qualifications:

- B.Sc., Management Studies, The University of the West Indies (UWI)
- MBA, Finance, Columbia University, New York

Directorships/Affiliations:

- Advisor, Audit Committee, Supreme Ventures Ltd.
- Director, Jamaica Central Security Depository Ltd and JCSD Trustee Services
- Governor, Jamaica Stock Exchange E-Learning Institute
- Lecturer, Mona School of Business, UWI
- Member, Kingston College Old Boys' Association



Mary Allen Smith, MSc, JP
Group Risk

Mary Allen Smith has responsibility for the Group's risk management function. She has also served as Executive in charge of Group Compliance; Corporate Planning Budgeting and Special Projects; and Financial Analyst.

Mrs. Allen Smith has volunteered as a mentor in the UWI's Student Mentorship Programme for the last 13 years and is an active member of the Andrews Memorial Seventh-day Adventist Church, where she serves on the Board and as a member of the Church Choir.

Mrs. Allen Smith has served as Senior Economist with the Bank of Jamaica; Counterpart Consultant, Road Planning Unit, Ministry of Transport & Works; and as International Loan Administrator at the Ministry of Finance.

Qualifications:

- M.Sc., University of Bradford (UK)
- B.A. (Hons), The University of the West Indies (Mona) (UWI)

Directorships/Affiliations:

- Director, JN Small Business Loans Limited, JNBS Foundation
- Member, Board of Trustees, JNBS Pension Fund, JNBS Board Finance Committee
- Director, Whispering Bamboo Cove Resort Hotel



Joy A. Brady, ACCA
Group Finance

Joy Brady is a chartered accountant by training with more than 17 years of financial management experience in the commercial industry and approximately 12 years of experience in auditing. She joined the Society in 2004 as Group Finance Manager and was promoted to Executive in August 2011. Her responsibilities include monitoring the financial operations and managing finance related projects for the Society and its subsidiaries.

Qualifications:

- Association of Chartered Certified Accountants (ACCA) Level III
- Association of Accounting Technician (AAT), Level III
- Fellow, Institute of Chartered Accountants of Jamaica (ICAJ)
- Fellow, ACCA

Directorships/Affiliations:

- Chairperson, Finance Committee and Youth Director, St. Theresa's Roman Catholic Church



Executives

Maximilian Campbell, MSc, Dip Ed, JP Group Human Resources Development

Maximilian Campbell joined the Jamaica National Building Society in 1998 and has served in the areas of branch operations and human resource development. He was promoted to Group Human Resource Development Executive in 2011.

Qualifications:

- MSc, Workforce Education and Development, University of Technology
- BSc. Human Resource Management, University College of the Caribbean,
- Diploma, Teacher Education, Church Teachers' College, Mandeville
- Certificate, Jamaican Securities, Jamaica Institute of Management

Directorships/Affiliations:

- Director, Human Resource Management Association of Jamaica (HRMAJ)
- Chairman, The Ashe Performing Company
- Director and Chairman of Academic Committee, Colbourne College
- Past Chairman, Daisy Thompson Early Childhood Institute; Past Executive Director, Clarendon Association of Street People (CLASP)



Dana Morris Dixon, PhD, MSc Business Development & Research

Dr. Dana Morris Dixon was appointed Executive, Business Development and Research in June 2013 and will serve as the Society's chief research officer, developing and driving the organisation's research agenda. Dr. Morris Dixon is also tasked with identifying and exploring new business opportunities for JNBS and its subsidiary companies to increase our market dominance.

She previously worked at Jamaica Promotions Corporation (JAMPRO), where she assumed the role of Acting President in March 2013 and served until her resignation. She joined JAMPRO as the Manager of the Caribbean, Latin America & Emerging Markets Department, on secondment from the Office of the Prime Minister in October 2009 and was appointed Vice President of Planning & Corporate Development in April 2010.

Prior to joining JAMPRO, Dr. Morris Dixon was the Director of Development Policy Planning and Strategy at the Office of the Prime Minister. She has also previously taught undergraduate and graduate courses, focused on international trade, finance, development, globalisation and Caribbean foreign policy at The University of the West Indies, Mona.

Qualifications

- BSc degree, Economics and International Relations, First Class Honours, The University of the West Indies (UWI)
- MSc, Government, specializing in International Relations, UWI
- PhD, International Studies, University of Denver, Graduate School of International Studies



Affiliations/Awards:

- Fulbright Scholar
- Recipient of the George Beckford Award for Economic Development, 2003
- Awardee, UWI Department of Government Fellowship, 2001
- Inducted into the Faculty of Social Sciences Dean's Honour Society, 2002
- Member, Grand Jamaica Homecoming Advisory Council
- Executive, International Women's Forum
- Executive, Jamaica Fulbright-Humphrey Alumni Association
- Former Director, National Land Agency
- Former Director, Runaway Bay Development Company Ltd.



Tiffany Gordon, MBA
Mortgage Sales

Tiffany Gordon was appointed Executive, Mortgage Sales in February 2013, with responsibility for the JNBS Mortgage Centers and the Mortgage Sales Unit. She joined the Society as Senior Manager in 2007, with responsibility for the restructuring of the Mortgage Operations Unit. In 2009, Ms. Gordon was given the task of restructuring the Mortgage Sales unit within the Society, to include the addition of four island-wide Mortgage Centres and a mobile sales team.

As Executive, Mortgage Sales, she is primarily responsible for setting the strategic direction and initiatives for the Society, for the delivery of mortgage sales and achievement of sales targets, as well as ensuring compliance with banking and service standards, for product development, technology enhancements, loan quality and the implementation of Mortgage Sales initiatives. Miss Gordon guides the management of external broker and real estate affiliate partners and increasing business via Preferred Lender partnerships.

Qualifications:

- BSc Management, Morris Brown College, USA
- MBA Marketing, Clark Atlanta University, USA
- Lean Six Sigma Certified for Operations Excellence, University of New Orleans, USA



Tonya Grant, ACCA, CPA
Group Internal Audit

Tonya Grant joined the Society in 1999 as the Senior Manager, Internal Audit, with responsibility for performing independent appraisals of the internal financial and operational control systems of the Society. In 2011, she was promoted to Executive, Group Internal Audit, with an expanded scope to assist the JN Group in accomplishing its strategic objectives by bringing a systematic and disciplined approach to evaluate the effectiveness of the organisation's risk management, control, and governance processes.

Mrs Grant has more than 25 years experience in internal and external auditing and has participated in various internal audit conferences and seminars. Prior to joining the Society, she spent over 10 years with KPMG.

Qualifications/Affiliations:

- Diploma in Business Administration, University of Technology
- US Certified Public Accountant (CPA)
- Fellow, Association of Chartered Certified Accountants (ACCA)
- Member, American Institute of Certified Public Accountants (AICPA)
- Member, Institute of Internal Auditors (IIA)
- Member, Information Systems Audit & Control Association (ISACA)



Executives



Hilret Hanson Branch Operations

Hilret Hanson, who has been with the Society for the past 30 years, is the Executive with responsibility for Branch Retail Operations.

He has served the society in various capacities during his tenure, such as Branch Manager, Finance Manager and Senior Regional Manager.

Qualifications:

- Certificate in Jamaican securities, Jamaica Institute of Management
- Financial Management courses, College of Art, Science and Technology, now University of Technology

Directorships/Affiliations:

- Chairman, St. Elizabeth Technical High School
- Past President, Jamaica National Managers Association (JANMAS)
- Former Board Member, Building Societies Credit Union
- Member, Manchester Chamber of Commerce



Keisha Melhado-Forrest, MBA Mortgage Operations

Keisha Melhado-Forrest joined the Society in September 1992, and has garnered a wealth of experience, having served in several capacities – primarily in the area of mortgage operations.

She was appointed Executive, Mortgage Operations in February 2013, and in this capacity, is mandated to lead the development and expansion of the Society's mortgage business, while administering the portfolio in a manner that mitigates credit risk, supports the generation of income and adheres to regulatory and legal requirements.

Qualifications:

- BSc, (Hons.), Management Studies and Accounting, The University of the West Indies (UWI)
- MBA, Banking and Finance, Mona School of Business, UWI





Executives



Michele Pollard Gonzalez, EMBA, MSc
Enterprise Contact Centre and Member Ombudsman

Michele Pollard Gonzalez is an experienced team leader whose mandate is to deliver a great customer experience at all points of contact with JNBS members and customers. She joined the Society in 2002 as Customer Service & Quality Assurance Manager and implemented the first ever customer service and quality assurance infrastructure within the organisation.

She was promoted to Senior Manager in 2007 and in 2011, to Executive, with responsibility for the Enterprise Contact Centre, a newly created entity responsible for managing the member/customer interface in line with the Society's strategic objectives. In 2012, she led the Society to become the first financial institution in Jamaica to attain certification to the ISO 9001:2008 Quality Management System Standard. The certification was conferred upon the Society by Lloyd's Register (UK), one of the world leaders in assessing business processes to internationally recognised standards. Mrs. Pollard Gonzalez serves as the Society's ISO 9001:2008 Management Representative.

Mrs. Pollard Gonzalez was recently given responsibility for the Society's Records Management System.

She brings to the Society expertise in operations, project management and quality assurance, acquired in the manufacturing and service sectors.

Qualifications:

- MSc, Food Science and Technology, Texas A&M University
- BSc, Chemistry and Applied Chemistry, The University of the West Indies, Mona
- Executive MBA, with a Finance emphasis, The University of the West Indies, Mona

Directorships/Affiliations:

- Director, Jamaica Customer Service Association
- Member of the American Society for Quality
- Member, Supervisory Committee of the ICD & Associates Credit Union



Senior Managers



Joscelyn Campbell
Corporate Integrity Unit



Simone Chambers
Corporate & Strategic Planning



Gillian Hyde
Budgeting, Performance Measurement & Reporting



Cheryl Levy
Risk Department



Tasha Manley
Group Compliance



Leslie Robinson
Strategic Data Management





Audrey Williams
Treasury Department



Marie Stewart Lewin, JP
Research and Public Relations



Polmae "Pam" Thompson
Internal Processing Centre and EPMO



Elaine Williams
Legal Department



Shernette Callam
Operations Support



Paulette Simpson
Corporate Affairs and Public Policy
JNBS Representative Office
United Kingdom



Karene Miller
Assistant Corporate Secretary



Overseas Officers



Leon Hamilton

Chief Representative Officer
JNBS Representative Office
United Kingdom

- Unit 234, Elephant & Castle Shopping Center, London, UK, SE1 6TE
- 311 Soho Road, Handsworth, Birmingham, UK, B21 9SD

Leon Hamilton joined the Spanish Town Branch of the JNBS in 1995. He has worked as Mortgage Services Supervisor, Assistant Mortgage Manager, Senior Process Analyst and was appointed Chief Representative Officer, United Kingdom, in 2010.



Jerrold Johnson

Interim Chief Representative Officer
JNBS Representative Office, Toronto

- 1390 Eglinton Avenue West, Toronto, Ontario, M6C 2E4

Jerrold Johnson was appointed Interim Chief Representative Officer in June 2012. He is a former Assistant Vice President of JN Fund Managers Ltd and has extensive experience in the financial services sector, both in Jamaica and Canada.



Janice McIntosh

Chief Representative Officer
JNBS Representative Office, Florida

- 5039 N State Road 7, Tamarac, Florida 33319, USA

Janice McIntosh joined the JN family in 2005 as the Promotions Manager in the Marketing Department. She was appointed Chief Representative Officer in August 2010. The Representative Office was recognised in February 2012 with a proclamation from the Florida Broward County Commissioner's office for its invaluable service to the community.





CANADA



UK



USA



A BRANCH NETWORK...

JNBS Business Relationship & Sales Advisors



Canute Simpson
SAVANNA-LA-MAR

Westmoreland



Nina Peters
CATHERINE HALL/
MARKET STREET

St James



Ransford Davidson
BROWN'S TOWN/
ST ANN'S BAY



Alethia Carpenter-Pearl
SANTA CRUZ / JUNCTION

St Elizabeth



Doreen Alexander
CHRISTIANA /
MANDEVILLE

Manchester



Paulette
Chambers-Salmon
MAY PEN

Clarendon

**Delivering on a promise made 139 years
ago to help Jamaicans find a way.**

AS STRONG AS OUR ROOTS

St Ann & St Mary

Omar Haye
PORT MARIA/
OCHO RIOS

Janice Mills
NEW KINGSTON

Orett Douglas
HALF-WAY-TREE

Dorene Johnson
DOWNTOWN KINGSTON

Jacqueline Robotham
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Security

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Cyber Security

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& Special Projects

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JN Money Services (USA) Inc.,
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Group Compliance
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CHIEF OFFICE

2-4 Constant Spring Road
Kingston 10
Tel: 1 (876) 926-1344-9,
1 (876) 926-1364
Fax: 926-7661, 968-6596

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Tel: 1 (876) 906-5343
Toll Free: 1-888-438-5627 or
1-888-991-4065-6
1-888-GET-JNBS (438-5627)
Fax: 920-6323
Email: info@jnbs.com
Website: www.jnbs.com

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Half-Way-Tree
2-4 Constant Spring Road,
Kingston 10
Fax: 968-6595
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Member Ambassador:
Damian Johnson

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10-12 Grenada Crescent,
Kingston 5
Fax: 906-8720
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Collette Yates-Miller
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Jacqueline Gabbidon

Downtown Kingston

32 1/2 Duke Street, Kingston
Fax: 922-2869, 948-3342
Operations Supervisor:
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Morant Bay

10 Queen Street
Morant Bay, St. Thomas
Fax: 982-2588
Operations Supervisor:
Emericia McDonald
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Terrian Evans

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Christiana

Samfo Plaza, Main Street
Christiana, Manchester
Fax: 964-4674
Operations Supervisor:
Lorna Sinclair
Member Ambassador:
Takeese Turner-Wright

Junction

Shops 7-8, Roye's Plaza
Junction P.O., St. Elizabeth
Fax: 965-8243
Operations Supervisor:
Rayon Samuels
Member Ambassador:
Sacha Neil-Elliott

Mandeville

Mandeville Plaza
Mandeville, Manchester
Fax: 962-0204
Operations Supervisor:
Michelle Boothe-Hall
Member Ambassador:
Clevon Crawford

May Pen

45a Main Street
May Pen, Clarendon
Fax: 986-9764
Operations Supervisor:
Paulette Bradford
Member Ambassador:
Oshane Reid

Santa Cruz

85 Main Street
Santa Cruz, St. Elizabeth
Fax: 966-2741
Operations Supervisor:
D'wain Clarke
Member Ambassador:
Kerrian Peart

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Linstead

27 King Street
Linstead, St. Catherine
Fax: 985-2506
Operations Supervisor:
Christopher Taylor
Member Ambassador:
Omar Green

Portmore Pines

Shop #29
Portmore Pines, Plaza
St. Catherine
949-2221, 949-9233
Fax: 949-1690
Operations Supervisor:
Stacy-Ann Hart
Member Ambassador:
Shellina Ivy

Spanish Town

26-28 Wellington Street
Spanish Town, St. Catherine
Fax: 984-7798
Operations Supervisor:
Andrew Cobourne
Member Ambassador:
Sudanne Cameron

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Montego Bay

2 Market Street
Montego Bay, St. James
Fax: 952-8307
Operations Supervisor:
Samuel Hines
Member Ambassador:
Renee King

JN Financial Services Catherine Hall

Montego Bay, St. James
Fax: 979-6670/ 979-7561
Operations Supervisor:
Sophia McIntyre
Member Ambassador:
Jennifer Scott-Barrett

Savanna-la-Mar

Hendon Corner
Savanna-la-Mar,
Westmoreland
Fax: 955-2774
Operations Supervisor:
Rayon Storer
Member Ambassador:
Orlando Lewinson

REGION 5

Brown's Town

Musgrave Square
Brown's Town, St. Ann
Fax: 917-8322
Operations Supervisor:
Mary Barnes
Member Ambassador:
Samantha Newby

Ocho Rios

Corner of Graham Street &
DaCosta Drive
Ocho Rios, St. Ann
Fax: 974-4724
Operations Supervisor:
Oraine Thompson
Member Ambassador:
Oretta Carter

St Ann's Bay

10 Bravo Street
St. Ann's Bay, St. Ann
Fax: 972-2657
Operations Supervisor:
Karen Gidden
Member Ambassador :
Dean Shirley

REGION 6

Port Antonio

21 Harbour Street
Port Antonio, Portland
Fax: 993-9670
Operations Supervisor: Sophia
Peart
Member Ambassador:
Charlene Watson

Port Maria

1 Stennett Street
Port Maria, St. Mary
Fax: 994-2123
Operations Supervisor:
Recordero Setal
Member Ambassador:
Laura Plunkett

UWI Branch

Ring Road, Mona Campus
The University of the West
Indies, St. Andrew
Fax: 970-3577
Member Ambassador:
Merrick Hay

MONEY SHOPS

Annotto Bay

Main Street
Annotto Bay, St. Mary
Fax: 996-9732
Operations Supervisor:
Tricia Hird

Barbican, Fontana Pharmacy

34 East King's House Road
Kingston 6
Fax: 927-8519
Operations Supervisor:
Chaneen Walker

Falmouth

1 Officer's Alley
Falmouth, Trelawny
Fax: 954-5992
Operations Supervisor:
Tanika Johnson-Fearon

Gayle

Main Street, Gayle, St. Mary
Fax: 975-8214
Operations Supervisor:
Rose Campbell-Maturah

Half-Way-Tree Transport Centre

Shop #15
Fax: 968-6883
Operations Supervisor:
Andral Dawkins

Highgate

Main Street
Highgate, St. Mary
Fax: 992-9575
Operations Supervisor:
Rose Campbell-Maturah

Knutsford

75 Knutsford Boulevard
Kingston 5
Fax: 920-4112
Operations Supervisor:
Ricardo Williams

Lucea

Mosley Drive, P.O. Box 21
Lucea, Hanover
Fax: 956-3323
Operations Supervisor:
Errol Allen

Michi Super Centre

2-4 Savannah Avenue
Washington Boulevard
Kingston 20
Operations Supervisor:
Nichola Kesson

Old Harbour

8 East Street, Old Harbour
Fax: 745-1650
Operations Supervisor:
Sharon Samuels

Papine

17c Gordon Town Road
St. Andrew
Fax: 702-4286
Operations Supervisor:
Steve Stewart

Spanish Town Road

45 Spanish Town Road
Kingston 14
Fax: 948-7038
Operations Supervisor:
Kezea Davis-Harris

Whitehouse

Shop #5 Lawrence Plaza
Whitehouse, Westmoreland
Fax: 963-5797
Operations Supervisor:
Fay Hardoar

JN Money Transfer Overseas Locations

UNITED KINGDOM

Toll Free - Tel: 0-800-328-0387

Balham

5 Hildreth Street
London SW12 9RQ
Tel: 0-800-328-1622
Fax: 208-675-4932

Birmingham/Perry Barr

Unit 1, Inshops, One Stop Shopping Centre
Perry Barr
Birmingham, B42 1SF
Tel: 0-800-328-1622
Fax: 121-344-4256

Birmingham/Queensway

6 Suffolk Street
Birmingham B1 1LT
Tel: 0-800-328-1622
Fax: 0212-643-3010

Bristol

248 Stapleton Road,
Easton, BS5 0NT
Tel: 0-800-328-1622
Fax: 117-951-4715

Brixton

389-391 Brixton Road
London SW9 7DE
Tel: 0-800-328-1622
Fax: 207-737-6951

Elephant & Castle

Unit #234
Elephant & Castle Shopping Centre
London SE1 6TE
Tel: 0-800-328-1622
Fax: 207-701-9374

Handsworth

311A Soho Road
Birmingham B21 9SD
Tel: 0-800-328-1622
Fax: 121-554-7553

Hornsey

8 Turnpike Lane
London N8 0PT
Tel: 0-800-328-1622
Fax: 208-889-3219

Manchester

111 Princess Road,
Moss Side, M14 4RB
Tel: 161-226-2745

Peckham

175 Rye Lane, Peckham
London SE15 4TL
Tel: 0-800-328-1622
Fax: 207-639-4983

Shepherd's Bush

Unit #4, 5 Uxbridge Road
Shepherd's Bush, London W12 8LG
Tel: 208-743-5940
Fax: 208-743-6771

Stratford

Unit 13
70-73 The Mall,
Stratford Shopping Centre
London E15 1XQ
Tel: 0-800-328-1622
Fax: 208-519-8416

CANADA

Toll Free - Tel: 1-866-353-7778

Toronto

1633 Eglinton Avenue West
Toronto
Ontario M6E 2H1, Canada
Tel: 1-866-735-6002
Fax: 416-784-2076
E-mail: info@jnocanada.com

Ontario/Pure Cash

1-1143 Morningside Avenue
Scarborough, M1B 0A7
Tel: 1-866-735-6002
Fax: 866-735-6002
Email: info@jnocanada.com

CAYMAN ISLANDS

JN Money Transfer
National Building Society of Cayman
71 Eastern Avenue, Trinity Square
P.O. Box 504 G.T.
Grand Cayman KY1-1106
Tel: 1-800-744-1163
Fax: 345-945-2015
E-mail: nbs@candw.ky

Quik Cash

Bodmer Building
Unit 6, Shedden Road
Grand Cayman
Tel: 1-800-744-1163

UNITED STATES OF AMERICA

Toll Free - Tel: 1-800-462-9003
E-mail: info@jnusa.com

NEW YORK

Brooklyn

690 Utica Avenue
Brooklyn, New York 11203, USA
Tel: 1-866-735-6002
Fax: 718-756-6674

2822 Church Avenue
Brooklyn New York 11226
Tel: 1-866-735-6002

Queens

233-16 Merrick Boulevard
New York 11422,
Tel: 1-866-735-6002
Fax: 718-949-4672

89-56 165th Street
New York 11432
1-866-735-6002

Bronx

4264 White Plains Road
New York 10466
Tel: 1-866-735-6002
Fax: 718-882-6937

CONNECTICUT

Hartford

1164 Albany Avenue
Hartford
Connecticut 06112
Tel: 1-866-735-6002
Fax: 860-725-0938

FLORIDA

Lauderdale Lakes

3895 NW 24th Street
Lauderdale Lakes
Florida 33311
Tel: 1-866-735-6002
Fax: 954-727-9701

Miramar

6905 Miramar Parkway
Florida 33023
Tel: 1-866-735-6002

Palm Beach

7435 South Military Trail
Lake Worth
Florida 33463
Tel: 1-866-735-6002

Lauderhill

4100 NW 12th Street
Suite A
Lauderhill
Florida 33313
Tel: 1-866-735-6002
Fax: 954-583-1733

Plantation

1943 North Pine Island Road
Florida 33322
Tel: 1-866-735-6002
Fax: 954-749-3571

JNBS ATM Locations

KINGSTON & ST ANDREW

JN Money Shop
Half-Way-Tree Transport Center

JNBS Duke Street
32 ½ Duke Street, Kingston CSO

Mico College
1A Marescaux Road, Kingston 5

Cross Roads Post Office
Cross Roads, Kingston 5

JN Money Shop
45 Spanish Town Road, Kingston 5

JN New Kingston Money Shop
75 Knutsford Boulevard, Kingston 5

The Source
Bryce Hill Plaza
85 August Town Road, Kingston 7

Vineyard Town
61B Deanery Road, Kingston 3

Azan's Supercentre
Regal Plaza
Cross Road, Kingston 5

JNBS Half-Way-Tree
2-4 Constant Spring Road, Kingston 10

JN Money Shop
Fontana Pharmacy
34 East King's House Road
Barbican, Kingston 6

JN Papine Money Shop
17C Gordon Town Road, Kingston 7

Constant Spring Post Office
191 Constant Spring Road,
Kingston 8

JNBS University of the West Indies
15 Ring Road, Kingston 7, Mona Campus

Michi Super Center
2-4 Savannah Avenue, Kingston 20

Worldtron Total Service Station
23 ½ Half-Way-Tree Road
Kingston 5

JN General Insurance Company
9 King Street
Kingston CSO

JNBS New Kingston
10-12 Grenada Crescent
Kingston 5

Ministry of Agriculture
Hope Gardens

Total Gas Station
Heroes Circle, Kingston

Total Service Station
250 Spanish Town Road

CLARENDON

JNBS May Pen
45a Main Street
May Pen

Petcom Service Station
Osbourne Store
May Pen

HANOVER

JN Lucea Money Shop
Mosley Drive, Lucea

MANCHESTER

JNBS Mandeville
Mandeville Plaza

JNBS Christiana
Samfo Plaza, Main Street Christiana

PORTLAND

JNBS Port Antonio
21 Harbour Street, Port Antonio

ST ANN

JNBS Ocho Rios
Corner of Graham Street & DaCosta
Drive

JNBS St. Ann's Bay
10 Bravo Street
St. Ann's Bay

Camaray Palms Plaza
19 Top Road
Brown's Town

JNBS Brown's Town
Musgrave Square

ST CATHERINE

Rapid Sheffield Super Centre
Port Henderson Road
Congreve Park, Portmore

JNBS Portmore
Shop #29 Portmore Pines Shopping
Center

Portmore Mall
Shop #2 Portmore Mall
Portmore, St. Catherine

JN Spanish Town Money Shop
26-28 Wellington Street

Bog Walk Post Office
Main Street, Bog Walk

JN Money Shop
Old Harbour
8 East Street

JNBS Linstead
27 King Street

Genus Pharmacy
25-26 Portmore Plaza
Port Henderson

Linstead Texaco Service Station
42a Kings Street

ST ELIZABETH

JNBS Junction
Royer's Shopping Centre

JNBS Santa Cruz
Main Street, Santa Cruz

King Fisher Plaza
Calabash Bay, Treasure Beach

ST JAMES

JNBS Montego Bay
2 Market Street

JN Financial Services
Catherine Hall

Vistaprint
1 Megabyte Way
Barnett Tech Park
Fairfield, Montego Bay
St. James

ST MARY

JN Money Shop
Highgate
Main Street, Highgate

JNBS Port Maria
1 Stennett Street, Port Maria

JN Money Shop
Annotto Bay
Main Street, Annotto Bay

JN Money Shop
Gayle
Main Street, Gayle

ST THOMAS

JNBS Morant Bay
10 Queen Street
Morant Bay

TRELAWNY

JNBS Falmouth
1 Officer's Alley, Falmouth

WESTMORELAND

JNBS Savanna-la-Mar
Hendon Corner

JN Money Shop
Whitehouse
Lawrence Plaza

CAYMAN

National Building Society of Cayman
29 Elgin Avenue
Grand Cayman
Cayman Islands

71 Trinity Square
Eastern Ave, George Town
Cayman Islands

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Jamaica Automobile Association (Services) Limited

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7 Central Avenue, Kingston 5

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Toll Free Number: 1-888-225-5522

Email: jaa@jnbs.com | Website: www.calljaa.com

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General insurance services

9 King Street, Kingston

Tel: 922-1460-5 | Fax: 922-4045

Email: info@jngijamaica.com | Website: www.jngijamaica.com

JN Life Insurance Company Limited

Life insurance services

2 – 4 Constant Spring Road, Kingston 10

Email: jnlifeinsurance@jnbs.com

JN Money Services Limited

Money transmission and bill payment services

26 Trafalgar Road, Kingston 5

Tel: 920-7530 | Fax: 920-4768

E-mail: leesa@jnbs.com | Website: www.jnmoneytransfer.com

JN Small Business Loans Limited

Operates microfinance programmes for the benefit and assistance of micro entrepreneurs.

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Tel: 948-7454-5 | Fax: 948-7452

E-mail: pbernard@Jnbs.com | Website: www.jnsbl.com

Management Control Systems Limited

Provision of Information, Communication & Technology Solutions

10-12 Grenada, Kingston 5

Tel: 929-8661, 926-0104 | Fax: 929-5678

E-mail: sales@mcsystems.com

Web site: www.mcsystems.com

Manufacturers Credit & Information Services Limited (MCIS)

Provision of motor vehicle expense management

8 Grenada Crescent, Kingston 5

Tel: 926-1939 | Fax: 929-1535

Islandwide Tel: 663-MCIS (6247)

E-mail: mciscustomerservice@mcsystems.com

National Building Society Of Cayman

Provides deposit accounts and residential mortgages on properties in the Cayman Islands.

29 Elgin Avenue, P.O. Box 504

Grand Cayman KY1-1106

Cayman Islands

Tel: 345-946-3030 | Fax: 345-946-3031

Email: enquiries@nbcs.com.ky | Website: www.nbcs.com.ky

FOUNDATIONS

JNBS Foundation

An approved charitable organisation funded by contributions from JNBS and its subsidiaries.

32 1/2 Duke Street, Kingston

Tel: 926-1344-9 | Fax: 922-4777

Email: foundation@jnbs.com | Website: www.jnfoundation.com

Mutual Building Societies Foundation

The MBSF seeks to contribute to the development of quality education in rural communities and to support social transformation.

32½ Duke Street, 4th Floor

Kingston

Tel: 926-1344 Ext. 4718 | Fax: 922-4777

Email: centresofexcellence@gmail.com

Website: www.centresofexcellencejamaica.com

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Attorneys-at-Law, Auditors & Bankers

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KPMG

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Bank of Nova Scotia Toronto, Canada
Barclays Bank PLC
Citibank, Canada
Citibank, London, UK
Citibank, Wall Street, New York, U.S.A.
Deutsche Bank
Lloyd's TSB
National Commercial Bank Jamaica Limited
RBTT Bank Jamaica Limited
Wachovia Bank, N.A.



FINANCIAL STATEMENTS & AUDITORS' REPORT

March 31, 2013





KPMG
Chartered Accountants
The Victoria Mutual Building
6 Duke Street
Kingston
Jamaica, W.I.

P.O. Box 76
Kingston
Jamaica, W.I.
Telephone +1 (876) 922-6640
Fax +1 (876) 922-7198
+1 (876) 922-4500
e-Mail firmmail@kpmg.com.jm

INDEPENDENT AUDITORS' REPORT

To the Members of
THE JAMAICA NATIONAL BUILDING SOCIETY

Report on the Financial Statements

We have audited the financial statements of The Jamaica National Building Society (Society) and the consolidated financial statements of the Society and its subsidiaries (Group), set out on pages 95-179, which comprise the Group's and Society's statements of financial position as at March 31, 2013, the Group's and Society's statements of revenue and expenses, 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 for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence relating to the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements 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.

KPMG, a Jamaican partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Elizabeth A. Jones
R. Tarun Handa
Patrick A. Chun
Patricia O. Dailey-Smith
Linroy J. Marshall

Cynthia L. Lawrence
Rajan Trohan
Norman O. Rainford
Nigel R. Chambers



To the Members of
THE JAMAICA NATIONAL BUILDING SOCIETY

Report on the Financial Statements (continued)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Society as at March 31, 2013, and of the Group's and Society's financial performance, changes in equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Report on additional requirements of the Building Societies Act

In our opinion, proper accounting records have been kept and the financial statements, which are in agreement therewith, are duly vouched and in accordance with law.

In addition, we have examined the mortgage deeds and other securities belonging to the Society. Title deeds held in respect of mortgage loans were produced to us and actually inspected by us, and we are satisfied that deeds not inspected by us were in the hands of attorneys, or elsewhere in the ordinary course of business of the Society.

A handwritten signature in black ink, appearing to read 'KPMG'.

Chartered Accountants
Kingston, Jamaica

June 28, 2013

THE JAMAICA NATIONAL BUILDING SOCIETY

Statement of Financial Position March 31, 2013

		Group		Society	
	<u>Notes</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
		\$'000	\$'000	\$'000	\$'000
ASSETS					
Cash and cash equivalents	7	4,089,252	4,025,394	2,361,491	2,848,911
Securities purchased under resale agreements	8	21,671,483	20,548,700	10,446,353	10,386,630
Investments	9	57,810,257	55,253,416	39,512,384	36,233,239
Taxation recoverable		1,677,116	1,793,701	1,054,639	1,196,365
Interest in subsidiaries	11	-	-	1,655,324	1,647,922
Interest in associates	12	312,426	334,131	735	735
Loans	13	51,741,655	46,880,588	45,952,184	41,615,385
Other assets	14	2,726,638	2,093,659	421,614	374,331
Assets held for sale	15	176,433	80,405	94,870	-
Investment properties	16	472,945	406,382	140,673	77,098
Property, plant and equipment	17	2,741,154	2,640,650	1,937,663	1,856,443
Intangible assets	18	890,977	934,689	37,086	62,385
Deferred tax assets	19	295,613	40,641	189,315	-
Total assets		<u>144,605,949</u>	<u>135,032,356</u>	<u>103,804,331</u>	<u>96,299,444</u>
SAVINGS FUND, LIABILITIES AND EQUITY					
SAVINGS FUND					
Shareholders' savings	20	79,639,026	73,372,817	74,820,693	69,406,377
Depositors' savings	21	<u>2,673</u>	<u>2,680</u>	<u>-</u>	<u>-</u>
Total savings fund		<u>79,641,699</u>	<u>73,375,497</u>	<u>74,820,693</u>	<u>69,406,377</u>
LIABILITIES					
Bank overdraft		28,285	-	-	-
Due to specialised financial institutions		11,021,016	9,233,808	11,019,841	9,230,133
Securities sold under repurchase agreements	22	19,323,142	15,490,426	-	-
Certificates of participation	23	1,831,670	4,997,999	-	-
Taxation payable		492,073	477,984	347,999	322,467
Other payables	24	2,750,784	2,497,809	943,070	870,569
Deferred tax liabilities	19	52,846	91,593	-	34,406
Employee benefit obligation	25(a)	413,171	338,084	327,844	263,154
Insurance contract provisions	26	3,837,088	3,789,817	-	-
Long-term loans	27	<u>588,860</u>	<u>700,092</u>	<u>2,520</u>	<u>2,520</u>
Total liabilities		<u>40,338,935</u>	<u>37,617,612</u>	<u>12,641,274</u>	<u>10,723,249</u>

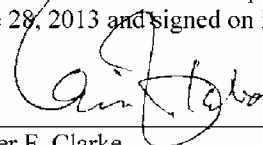
To be read in conjunction with the accompanying notes to the financial statements.

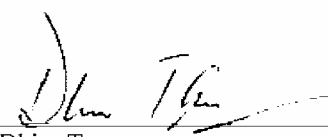
THE JAMAICA NATIONAL BUILDING SOCIETY


Statement of Financial Position (Continued) **March 31, 2013**

		Group		Society	
	Notes	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
EQUITY					
Permanent capital fund	28	5,740,000	5,740,000	5,740,000	5,740,000
Reserve fund	29	<u>6,600,000</u>	<u>6,600,000</u>	<u>6,600,000</u>	<u>6,600,000</u>
Capital base		12,340,000	12,340,000	12,340,000	12,340,000
Capital reserve		114,653	114,653	-	-
Contractual savings reserve	30	14,223	14,223	14,223	14,223
Other reserves	31	1,881,492	1,769,475	1,343,051	1,051,158
Retained earnings		<u>10,225,541</u>	<u>9,754,052</u>	<u>2,645,090</u>	<u>2,764,437</u>
Total equity attributable to equity holders of the Society		24,575,909	23,992,403	16,342,364	16,169,818
Non-controlling interest		<u>49,406</u>	<u>46,844</u>	-	-
Total equity		<u>24,625,315</u>	<u>24,039,247</u>	<u>16,342,364</u>	<u>16,169,818</u>
Total savings fund, liabilities and equity		144,605,949	135,032,356	103,804,331	96,299,444

The financial statements on pages 95 - 179 were approved for issue by the Board of Directors on June 28, 2013 and signed on its behalf by:


 _____ Director
 Oliver F. Clarke


 _____ Director
 Dhiru Tanna


 _____ Director
 Earl Jarrett

To be read in conjunction with the accompanying notes to the financial statements.

THE JAMAICA NATIONAL BUILDING SOCIETY

Statement of Revenue and Expenses **Year ended March 31, 2013**

		Group		Society	
	<u>Notes</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
		\$'000	\$'000	\$'000	\$'000
Interest revenue:					
Interest on loans		5,187,201	5,283,977	4,322,726	4,415,782
Interest on investments		<u>4,781,492</u>	<u>4,628,994</u>	<u>2,728,418</u>	<u>2,558,913</u>
		9,968,693	9,912,971	7,051,144	6,974,695
Interest expense	32	<u>(2,984,013)</u>	<u>(2,805,591)</u>	<u>(1,633,882)</u>	<u>(1,549,287)</u>
Net interest revenue		6,984,680	7,107,380	5,417,262	5,425,408
Other operating income	33	4,725,090	4,537,441	2,245,487	1,828,839
Operating expenses	34	<u>(9,807,871)</u>	<u>(9,250,546)</u>	<u>(6,588,803)</u>	<u>(5,789,507)</u>
Operating surplus		1,901,899	2,394,275	1,073,946	1,464,740
Gain on disposal of investments		29,789	434,795	4,567	363,338
Share of (loss)/profit of associates	12	(21,705)	23,889	-	-
Unrealised foreign exchange gains		<u>509,450</u>	<u>112,392</u>	<u>370,967</u>	<u>78,398</u>
		2,419,433	2,965,351	1,449,480	1,906,476
Loss arising from National and Private Debt Exchanges	35	<u>(829,149)</u>	<u>-</u>	<u>(753,796)</u>	<u>-</u>
Surplus for the year before taxation		1,590,284	2,965,351	695,684	1,906,476
Taxation	36	<u>(663,557)</u>	<u>(893,893)</u>	<u>(382,618)</u>	<u>(509,035)</u>
Surplus for the year		<u>926,727</u>	<u>2,071,458</u>	<u>313,066</u>	<u>1,397,441</u>
Attributable to:					
The Society		920,383	2,071,635	313,066	1,397,441
Non-controlling interest		<u>6,344</u>	<u>(177)</u>	<u>-</u>	<u>-</u>
		<u>926,727</u>	<u>2,071,458</u>	<u>313,066</u>	<u>1,397,441</u>
Dealt with in the financial statements of:					
The Society		313,066	1,397,441	313,066	1,397,441
Subsidiaries		629,022	650,305	-	-
Associates		<u>(21,705)</u>	<u>23,889</u>	<u>-</u>	<u>-</u>
		<u>920,383</u>	<u>2,071,635</u>	<u>313,066</u>	<u>1,397,441</u>

THE JAMAICA NATIONAL BUILDING SOCIETY

Statement of Comprehensive Income **Year ended March 31, 2013**

	<u>Notes</u>	<u>Group</u>		<u>Society</u>	
		<u>2013</u> \$'000	<u>2012</u> \$'000	<u>2013</u> \$'000	<u>2012</u> \$'000
Surplus for the year		<u>926,727</u>	<u>2,071,458</u>	<u>313,066</u>	<u>1,397,441</u>
Other comprehensive income:					
Translation of foreign subsidiaries' balances		23,769	3,567	-	-
Change in fair value of available-for-sale investments		(497,820)	215,121	(196,176)	212,813
Realised losses/(gains) on investments recognised in statement of revenue and expenses		75,069	(432,764)	(4,567)	(363,338)
Deferred tax on available-for-sale investments	19	<u>58,323</u>	<u>(125,133)</u>	<u>60,223</u>	<u>(112,469)</u>
Total other comprehensive income for the year		<u>(340,659)</u>	<u>(339,209)</u>	<u>(140,520)</u>	<u>(262,994)</u>
Total comprehensive income for the year		<u>586,068</u>	<u>1,732,249</u>	<u>172,546</u>	<u>1,134,447</u>
Attributable to:					
The Society		579,724	1,732,426	172,546	1,134,447
Non-controlling interest		<u>6,344</u>	<u>(177)</u>	<u>-</u>	<u>-</u>
		<u>586,068</u>	<u>1,732,249</u>	<u>172,546</u>	<u>1,134,447</u>

THE JAMAICA NATIONAL BUILDING SOCIETY

Statement of Changes in Equity Year ended March 31, 2013

	Group								
	Permanent capital fund \$'000 (note 28)	Reserve fund \$'000 (note 29)	Capital reserve \$'000	Contractual savings reserve \$'000 (note 30)	Other reserves \$'000 (note 31)	Retained earnings \$'000	Total \$'000	Non - controlling interest \$'000	Total equity \$'000
Balances at March 31, 2011	5,740,000	6,600,000	116,494	14,223	1,854,988	7,934,235	22,259,940	46,540	22,306,480
Total comprehensive income for the year:									
Surplus for the year	-	-	-	-	-	2,071,635	2,071,635	(177)	2,071,458
Other comprehensive income:									
Translation of foreign subsidiaries balances	-	-	-	-	4,057	-	4,057	(490)	3,567
Increase in fair value of available-for-sale investments	-	-	-	-	214,668	-	214,668	453	215,121
Deferred tax on available-for-sale of investments	-	-	-	-	(125,133)	-	(125,133)	-	(125,133)
Realised gains on investments recognised in statement of revenue and expenses	-	-	-	-	(432,764)	-	(432,764)	-	(432,764)
Total other comprehensive income	-	-	-	-	(339,172)	-	(339,172)	(37)	(339,209)
Total comprehensive income	-	-	-	-	(339,172)	2,071,635	1,732,463	(214)	1,732,249
Changes in ownership interests in subsidiaries that do not result in a loss of control:									
Movement in share of reserves in associates and subsidiaries	-	-	-	-	-	-	-	518	518
Movement between reserves:									
Transfers	-	-	(1,841)	-	-	1,841	-	-	-
Transfer to credit loss reserve	-	-	-	-	253,659	(253,659)	-	-	-
Balances at March 31, 2012	5,740,000	6,600,000	114,653	14,223	1,769,475	9,754,052	23,992,403	46,844	24,039,247
Total comprehensive income for the year:									
Surplus for the year	-	-	-	-	-	920,383	920,383	6,344	926,727
Other comprehensive income:									
Translation of foreign subsidiaries balances	-	-	-	-	27,206	-	27,206	(3,437)	23,769
Increase in fair value of available-for-sale investments	-	-	-	-	(497,475)	-	(497,475)	(345)	(497,820)
Deferred tax on available-for-sale investments	-	-	-	-	58,323	-	58,323	-	58,323
Realised losses on investments recognised in statement of revenue and expenses	-	-	-	-	75,069	-	75,069	-	75,069
Total other comprehensive income	-	-	-	-	(336,877)	-	(336,877)	(3,782)	(340,659)
Total comprehensive income	-	-	-	-	(336,877)	920,383	583,506	2,562	586,068
Movement between reserves:									
Transfer to credit loss reserve	-	-	-	-	448,894	(448,894)	-	-	-
Balances at March 31, 2013	5,740,000	6,600,000	114,653	14,223	1,881,492	10,225,541	24,575,909	49,406	24,625,315

To be read in conjunction with the accompanying notes to the financial statements.

THE JAMAICA NATIONAL BUILDING SOCIETY

Statement of Changes in Equity (Continued) **Year ended March 31, 2013**

	Society					
	Permanent capital fund	Reserve fund	Contractual savings reserve	Other reserves	Retained earnings	Total
	\$'000 (note 28)	\$'000 (note 29)	\$'000 (note 30)	\$'000 (note 31)	\$'000	\$'000
Balances at March 31, 2011	5,740,000	6,600,000	14,223	1,078,187	1,602,961	15,035,371
Total comprehensive income for the year:						
Surplus for the year	-	-	-	-	1,397,441	1,397,441
Other comprehensive income:						
Increase in fair value of available- for-sale investments	-	-	-	212,813	-	212,813
Deferred tax on available-for- sale investments	-	-	-	(112,469)	-	(112,469)
Realised gains on investments recognised in statement of revenue and expenses	-	-	-	(363,338)	-	(363,338)
Total other comprehensive income	-	-	-	(262,994)	-	(262,994)
Total comprehensive income	-	-	-	(262,994)	1,397,441	1,134,447
Movements in reserves:						
Transfer to credit loss reserve	-	-	-	235,965	(235,965)	-
Balances at March 31, 2012	5,740,000	6,600,000	14,223	1,051,158	2,764,437	16,169,818
Total comprehensive income for the year:						
Surplus for the year	-	-	-	-	313,066	313,066
Other comprehensive income:						
Increase in fair value of available- for-sale investments	-	-	-	(196,176)	-	(196,176)
Deferred tax assets on available-for- -sale investments	-	-	-	60,223	-	60,223
Realised gains on investments recognised in statement of revenue and expenses	-	-	-	(4,567)	-	(4,567)
Total other comprehensive income	-	-	-	(140,520)	-	(140,520)
Movement between reserves:						
Transfer to credit loss reserve	-	-	-	432,413	(432,413)	-
Balances at March 31, 2013	5,740,000	6,600,000	14,223	1,343,051	2,645,090	16,342,364

To be read in conjunction with the accompanying notes to the financial statements.

THE JAMAICA NATIONAL BUILDING SOCIETY

Group Statement of Cash Flows **Year ended March 31, 2013**

	<u>2013</u> \$'000	<u>2012</u> \$'000
Cash flows from operating activities		
Surplus for the year	926,727	2,071,458
Adjustments to reconcile surplus to net cash provided by operating activities:		
Depreciation - property, plant and equipment and investment properties	370,769	378,725
Amortisation of intangible assets	96,636	105,171
Gain on disposal of property, plant and equipment and investment properties	(71,054)	(8,667)
Gain on disposal of investments	(29,789)	(434,795)
Loss arising from National and Private Debt exchanges	829,149	-
Gains from foreign exchange rate changes	(476,173)	(39,920)
Impairment of intangible assets	81,411	51,712
Translation differences	23,769	3,567
Dividend income	(46,719)	(38,137)
Share of profit of associates	21,705	(23,889)
Interest income	(9,968,693)	(9,912,971)
Interest expense	2,984,013	2,805,591
Current tax expense	898,953	907,737
Deferred taxation, net	(235,396)	(13,844)
Net increase in provision for loan losses	210,383	220,515
Employee benefit obligation	75,087	57,354
Insurance contract provisions	<u>47,271</u>	<u>(533,955)</u>
	(4,261,951)	(4,404,348)
Changes in operating assets and liabilities:		
Net addition to loans	(4,077,270)	(1,553,018)
Taxation recoverable	116,585	2,291
Other assets	(609,210)	158,595
Other payables	211,525	(115,486)
Net receipts from savings	2,841,464	359,575
Due to specialised financial institutions	1,787,208	1,076,358
Securities purchased under resale agreements	(945,180)	1,510,455
Certificates of participation	(3,166,329)	(4,997,999)
Securities sold under repurchase agreements	<u>3,654,112</u>	<u>5,285,970</u>
	(4,449,046)	(2,677,607)
Interest paid	(2,550,955)	(2,805,595)
Interest received	4,717,847	5,384,517
Income tax paid	<u>(884,864)</u>	<u>(640,787)</u>
Net cash used by operating activities (page 102)	<u>(3,167,018)</u>	<u>(739,472)</u>

To be read in conjunction with the accompanying notes to the financial statements.

THE JAMAICA NATIONAL BUILDING SOCIETY

Group Statement of Cash Flows (Continued) **Year ended March 31, 2013**

	<u>2013</u> \$'000	<u>2012</u> \$'000
Net cash used by operating activities (page 101)	(3,167,018)	(739,472)
Cash flows from investing activities		
Investments	(22,487,986)	(6,803,340)
Interest received	4,304,177	4,553,458
Dividend received	46,719	38,137
Assets held for sale	(96,028)	-
Intangible assets	(46,306)	(64,538)
Purchase of property, plant and equipment and investment properties	(540,089)	(660,754)
Proceeds from disposal of property, plant and equipment	90,341	53,835
Proceeds from disposal of intangible assets	-	657
Proceeds from disposal of investments	<u>21,715,392</u>	<u>4,255,862</u>
Net cash provided by investing activities	<u>2,986,220</u>	<u>1,373,317</u>
Cash flows from financing activities		
Long-term loans, being net cash (used)/ provided by financing activities	(111,232)	<u>187,457</u>
Net (decrease)/increase in cash and cash equivalents	(292,030)	821,302
Cash and cash equivalents at beginning of the year	4,025,394	3,191,878
Effects of exchange rate changes on cash and cash equivalents	<u>327,603</u>	<u>12,214</u>
Cash and cash equivalents at end of the year	<u>4,060,967</u>	<u>4,025,394</u>
Comprised of:		
Cash and cash equivalents	4,089,252	4,025,394
Bank overdraft	(28,285)	-
	<u>4,060,967</u>	<u>4,025,394</u>

To be read in conjunction with the accompanying notes to the financial statements.

THE JAMAICA NATIONAL BUILDING SOCIETY

Society Statement of Cash Flows March 31, 2013

	2013 \$'000	2012 \$'000
Cash flows from operating activities		
Surplus for the year	313,066	1,397,441
Adjustments to reconcile surplus to net cash provided by operating activities:		
Depreciation - property, plant and equipment and investment properties	250,459	260,317
Amortisation of intangible asset	55,976	66,861
Gain on disposal of property, plant & equipment and investment properties	(10,455)	(8,667)
Loss arising from National and Private Debt exchange	753,796	-
Gain on disposal of investments	(4,567)	(363,338)
(Gains)/losses from foreign exchange rate changes	(328,026)	(17,810)
Dividend income	(396,450)	(394,737)
Interest income	(7,051,144)	(6,974,695)
Interest expense	1,633,882	1,549,287
Current tax expense	546,116	500,966
Deferred taxation, net	(163,498)	8,069
Net increase in provision for loan losses	159,045	73,792
Employee benefit obligation	64,690	57,939
	(4,177,110)	(3,844,575)
Changes in operating assets and liabilities:		
Net additions to loans	(4,021,981)	(1,560,681)
Taxation recoverable	141,726	(78,790)
Other assets	(47,283)	(93,228)
Other payables	69,789	(59,322)
Net receipts from savings	2,645,423	658,235
Due to specialised financial institutions	1,789,708	1,072,683
Securities purchased under resale agreements	(18,132)	2,152,264
	(3,617,860)	(1,753,414)
Interest paid	(1,431,220)	(1,574,394)
Interest received	4,037,151	4,475,389
Income tax paid	(520,584)	(187,767)
Net cash (used)/provided by operating activities	(1,532,513)	959,814
Cash flows from investing activities		
Investments and securities purchased under resale agreements	(21,147,509)	(6,953,634)
Interest received	2,474,595	2,479,978
Interest in subsidiaries	3,551	(85,655)
Dividend received	396,450	394,737
Assets held for sale	(94,870)	-
Acquisition of intangible assets	(30,677)	(11,523)
Purchase of property, plant & equipment and investment properties	(405,253)	(427,648)
Proceeds from disposal of property, plant & equipment	20,454	52,700
Proceeds from disposal of investments	19,603,832	4,255,862
Net cash provided/(used) by investing activities	820,573	(295,183)
Net cash (used)/provided by operating and investing activities (page 104)	(711,940)	664,631

To be read in conjunction with the accompanying notes to the financial statements.

THE JAMAICA NATIONAL BUILDING SOCIETY

Society Statement of Cash Flows (Continued)
March 31, 2013

	<u>2013</u> \$'000	<u>2012</u> \$'000
Cash flows from financing activities		
Long-term loans, being net cash provided by financing activities	<u>-</u>	<u>25</u>
Net (decrease)/increase in cash and cash equivalents	(711,940)	664,656
Effects of exchange rate changes on cash and cash equivalents	224,520	4,778
Cash and cash equivalents at beginning of the year	<u>2,848,911</u>	<u>2,179,477</u>
Cash and cash equivalents at end of the year	<u>2,361,491</u>	<u>2,848,911</u>

To be read in conjunction with the accompanying notes to the financial statements.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements

March 31, 2013

1. The Society

The Jamaica National Building Society (Society), which commenced business in 1874 under the name of Westmoreland Building Society, is incorporated in Jamaica under the Building Societies Act, is domiciled in Jamaica, and has its registered office at 2-4 Constant Spring Road, Kingston 10. The Society is a mutual organisation in which all holders of shares have one vote, regardless of account balances.

Its principal activities are comprised of granting home loans, operating savings accounts and trading in foreign exchange.

The Society is an authorised foreign currency dealer.

“Group” refers collectively to the Society and its subsidiaries which, together with its associates, are as follows:

<u>Subsidiaries</u>	<u>Country of incorporation</u>	<u>Percentage ownership 2013</u>	<u>Percentage ownership 2012</u>	<u>Nature of business</u>
JN Money Services Limited and its subsidiaries:	Jamaica	100	100	Money transmission services.
JN Money Services (UK) Ltd	England	100	100	Money services business, including mortgage lending, remittances and bill payments.
JN Money Services (USA) Inc	United States of America	100	100	Money services business, including remittances and bill payments.
JN Money Services (Canada) Ltd	Canada	100	100	Money services business, including remittances and bill payments.
JN Money Services (Cayman) Limited	Cayman Islands	80	80	Money services business, including remittances and bill payments.
J.N. Properties Limited	Jamaica	100	100	Development and rental of real property.
J.N. Real Estate Company Limited	Jamaica	100	100	Real estate development, brokerage, appraisal and property management services.
JN Fund Managers Limited (JNFM)	Jamaica	100	100	Provision of money market brokerage services, loan financing and pension management and administration.
First Metropolitan Building Society	Jamaica	100	100	Mortgage lending on residential properties and other financial services.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2013**

1. The Society (continued)

<u>Subsidiaries (continued)</u>	<u>Country of incorporation</u>	<u>Percentage ownership 2013</u>	<u>Percentage ownership 2012</u>	<u>Nature of business</u>
JN General Insurance Company Limited ¹ [formerly NEM Insurance Company (Jamaica) Limited] and its wholly-owned subsidiary:	Jamaica	99.5	99.5	General insurance services
The Jamaica Automobile Association (Services) Limited	Jamaica	100	100	Automobile roadside assistance and allied services.
Management Control Systems Limited and its wholly-owned subsidiaries:	Jamaica	95.67	95.67	Provision of information technology solutions and services.
Total Credit Services Limited	Jamaica	100	100	Debt recovery management.
Manufacturers' Credit & Information Services Limited	Jamaica	100	100	Motor vehicle fleet management and credit services.
JN Small Business Loans Limited	Jamaica	100	100	Granting of loans to small and micro business for periods not exceeding 52 weeks.
National Building Society of Cayman	Cayman Islands	91.5	91.5	Mortgage lending on residential properties and other financial services.
The Creative Unit Limited [see note 45(c)]	Jamaica	100	100	Creative and advertisement management services.
The Jamaica Popular Investment Company Limited	Jamaica	100	100	Owners of commercial buildings.
JN Finance Limited [see note 45(d)]	Jamaica	100	100	Insurance premium financing, consumer loan, bridge financing, and other credit facilities.
JN Life Insurance Company Limited	Jamaica	100	100	Licensed by the Financial Services Commission to conduct life insurance business.

¹ The Society acquired and holds 0.3% interest in JN General Insurance Company Limited [formerly NEM Insurance Company (Jamaica) Limited], through Middlesex Insurance Agencies Limited. These shares are in the process of being transferred to the Society. Middlesex Insurance Agencies is not consolidated as it is considered immaterial.

Notes to the financial statements (Continued)
March 31, 2013

1. The Society (continued)

<u>Associates and Joint Ventures</u>	<u>Country of incorporation</u>	<u>Percentage ownership 2013</u>	<u>Percentage ownership 2012</u>	<u>Nature of business</u>
Knutsford Holdings Limited (held by JN Properties Limited)	Jamaica	40	40	Owners of commercial buildings.
Jamaica Joint Venture Investment Company Limited	Jamaica	33½	33½	Owners of commercial buildings.
Building Societies Development Limited	Jamaica	28.84	28.84	Housing development.
Transaction EPins Limited	Jamaica	19.5	19.5	Distribution of electronic prepaid air time.

The Society has begun the process of merging the remaining depositors of First Metropolitan Building Society into the Society and has applied to the Minister of Finance for approval of the merger.

National Building Society of Cayman owns the remaining 20% of the shareholding in JN Money Services (Cayman) Limited, making it a wholly-owned subsidiary of the Society [see note 45(b)].

JN General Insurance Company Limited [formerly NEM Insurance Company (Jamaica) Limited], JN Life Insurance Company Limited, First Metropolitan Building Society, Knutsford Holdings Limited, Jamaica Joint Venture Investment Company Limited, Jamaica Automobile Association (Services) Limited and Building Societies Development Limited have December 31 as their year-end.

Transaction EPins Limited is an associated company which is shown at cost. The Society has not adopted the equity method of accounting for this investment as the directors of the Society do not consider that they exercise significant influence over the financial or operating policies of Transaction EPins Limited.

Other related entities:

Jamaica National Building Society Foundation was incorporated under the laws of Jamaica on July 11, 1990 as a company limited by guarantee and not having a share capital, with the liability of each of the 10 members limited to \$1. It is a charitable organisation which aims at assisting with grants or otherwise for the development of affordable housing throughout Jamaica and, in particular, rural Jamaica, as well as to develop and promote for the benefit of the public, study and research into housing and the management of savings. It is funded principally by contributions from the Society. The Foundation is an approved charitable organisation for purposes of Section 13(i)(q) of the Income Tax Act, and is exempted from income tax under Section 12(h) of that Act.

Mutual Building Societies Foundation was incorporated under the laws of Jamaica on April 4, 2008 as a company limited by guarantee and not having a share capital. It is a charitable organisation whose primary goal is to contribute to sustainable national development. The Foundation aims to support the strategic objectives of the Ministry of Education by injecting technical and financial resources to improve student achievement, teacher quality, organisational effectiveness and strengthen school-home community partnership of six rural, recently upgraded high schools, to ensure that national targets are met and sustainable rural development is promoted. It is funded principally by contributions from the Society and the Victoria Mutual Building Society. The Foundation is an approved charitable organisation for purposes of Section 13(i) of the Tax Act and is exempted from income tax under section 12(h) of that Act.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2013**

2. Licence and regulations

The Society is licensed, and the financial statements are delivered, under the Building Societies Act, as amended by the Building Societies (Amendment) Act, 1996 (Act), and the Bank of Jamaica (Building Societies) Regulations, 1995 (Regulations). The Regulations became effective as of March 24, 1995.

3. Statement of compliance and basis of preparation

(a) Statement of compliance:

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Certain new, revised and amended standards and interpretations, came into effect during the current financial year. The Group has adopted those which are relevant to its operations, none of which resulted in any change in accounting policies or material changes to the content or presentation of amounts or disclosures in these financial statements.

(b) Basis of measurement:

The financial statements are prepared on the historical cost basis, except for the following:

- financial instruments at fair value through profit or loss are measured at fair value.
- available-for-sale financial assets are measured at fair value.
- the liability for defined-benefit obligations is recognised as the present value of the defined-benefit obligations less the net total of the plan assets, plus unrecognised actuarial gains, less unrecognised past service cost and unrecognised actuarial losses.

(c) Functional and presentation currency:

The financial statements are presented in Jamaica dollars, which is the functional currency of the Society.

(d) Use of estimates and judgements:

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended. Actual amounts could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 5.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2013**

4. Significant accounting policies

(a) Basis of consolidation:

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is at the date on which control is transferred to the group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquired entity; plus
- if the business combination is achieved in stages, the fair value of the pre-existing interest in the acquired entity; less
- the net recognised amount (generally, fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts, generally, are recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The subsidiary companies are listed in note 1 and are referred to as “subsidiaries” or “subsidiary” in the financial statements. The consolidated or Group financial statements comprise the financial results of the Society and its subsidiaries prepared to March 31, except for JN General Insurance Company Limited (JNGI), JN Life Insurance Company Limited, Jamaica Automobile Association (Services) Limited (JAA) and First Metropolitan Building Society (FMBS) which financial statements are prepared to December 31, annually. Consequently, the consolidated results include the results of these subsidiaries for the year ended December 31, 2012 (2012: December 31, 2011), updated for significant transactions to March 31, 2013 (2012: March 31, 2012).

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are no longer consolidated from the date that control ceases.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2013**

4. Significant accounting policies (continued)

(a) Basis of consolidation (continued):

(ii) Subsidiaries (continued)

The financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests, even if doing so causes the non-controlling interest to have a deficit balance.

(iii) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interest and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(iv) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total comprehensive income and losses of associates on an equity accounting basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to \$Nil and recognition of further losses is discontinued, except to the extent that the Group has incurred legal or constructive obligations, or made payments on behalf of an associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of profits equals the share of losses not recognised.

(v) Jointly controlled operations

A jointly controlled operation is a joint venture carried on by a venturer using its own assets in pursuit of the joint operation. The consolidated financial statements include the assets that the Group controls and the liabilities that it incurs in the course of pursuing the joint operation and expenses that the Group incurs and its share of the income that it earns from the joint operation.

(vi) Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2013**

4. Significant accounting policies (continued)

(b) Taxation:

(i) Income tax:

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

Current tax comprises expected tax payable on the taxable income or loss for the year, as adjusted for tax purposes, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred tax:

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries, to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted as at the reporting date. Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(c) Property, plant and equipment:

Items of property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses [see note 4(k)(v)]. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item, if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be reliably measured. The cost of day-to-day servicing of property, plant and equipment is recognised in profit or loss as incurred.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued)

March 31, 2013

4. Significant accounting policies (continued)

(c) Property, plant and equipment (continued):

Property, plant and equipment, with the exception of freehold land, on which no depreciation is provided, are depreciated on the straight-line basis at annual rates to write down the assets to their estimated residual values over their expected useful lives. Leasehold properties are amortised in equal instalments over the shorter of the lease term and the properties' estimated useful lives.

The depreciation/amortisation rates are as follows:

Freehold buildings	2½%
Leasehold buildings	Shorter of lease term and useful life
Leasehold improvements	33⅓%
Computers	33⅓%
Office equipment	10%
Motor vehicles	20%

The depreciation/amortisation methods, useful lives and residual values are reassessed at each reporting date.

(d) Foreign currencies:

- (i) Monetary foreign currency balances at the reporting date are translated at the Bank of Jamaica's weighted average rate of US\$1.00 = J\$97.94 (2012: J\$86.93), UK£1.00 = J\$148.04 (2012: J\$137.72) and Cdn\$1.00 = J\$96.51 (2012: J\$85.96), being the rates of exchange ruling on that date. Other foreign currency balances at the reporting date have been translated using indicative rates provided by the Bank of Jamaica of Euro1.00 = J\$125.55 (2012: J\$115.47) and Cayman Dollar 1.00 = J\$117.88 (2012: J\$104.36).
- (ii) Transactions in foreign currencies are converted at the rates of exchange ruling on the dates of those transactions. Realised and unrealised gains and losses arising from fluctuations in exchange rates are included in profit or loss, except for differences arising on the retranslation of available-for-sale equity investments and foreign operations as stated in note 4(d)(iii).
- (iii) For the purpose of consolidating the financial statements of the Group's foreign subsidiaries, each statement of financial position is translated at the closing rate and each statement of revenue and expenses at the average rate of exchange for the year. Translation differences are recognised in other comprehensive income and presented in exchange equalisation reserve in equity [note 31(a)].

(e) Provision for credit losses:

The provision for credit losses is maintained at a level considered adequate to provide for probable credit losses and is based on management's evaluation of individual loans in the credit portfolio. The evaluation takes all relevant matters into consideration, including prevailing and anticipated business and economic conditions, the collateral held, the debtor's ability to repay the loan and guidance provided by Bank of Jamaica, which requires that appropriate provision be made for all loans on which interest payments and principal repayments are ninety or more days in arrears. Amounts are written-off from the provision whenever management has concluded that such amounts may not be recovered.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2013**

4. Significant accounting policies (continued)

(e) Provision for credit losses (continued):

General provisions for loan loss are established against the portfolio where a prudent assessment by the Group of adverse economic trends and losses inherent in its portfolio suggest that losses may occur, but such losses cannot be determined on an item-by-item basis. This provision is maintained by the Society at levels in excess of the minimum ½% established by the Bank of Jamaica and at 5% of the loan portfolio for a subsidiary and is included in credit loss reserve [note 31(c)].

IFRS only permits specific loan loss provisions and a general provision based upon the Group's actual credit loss experience. It also requires that the expected future cash flows of impaired loans be discounted and the increase in the present value be reported as interest income. The credit loss provision required under the Regulations (note 2) that is in excess of the requirements of IFRS is treated as an appropriation of retained earnings and included in a non-distributable credit loss reserve.

(f) Interest income and expense:

Interest income and expense are recognised in profit or loss on the accrual basis, using the effective yield method, except that, where collection of interest income is considered doubtful, or payment is outstanding for 90 days or more, the cash basis is used. Accrued interest on loans, which are in arrears for 90 days and over, is excluded from income in accordance with the Regulations. A subsidiary recognises interest on the cash basis where payment is outstanding for over 30 days on a 10-20 week loan, or over 60 days on a 21-52 week loan.

IFRS requires that when collection of loans becomes doubtful, such loans should be written down to their recoverable amounts after which interest income is to be recognised based on the rate of interest that was used to discount the future cash flows in arriving at the recoverable amount. The difference between the basis of interest recognition under IFRS and the Regulations, is not considered material.

(g) Real estate and development in progress:

The cost of land acquisition and development, construction and overheads, including interest costs, are deferred, except for costs in excess of amounts recoverable from subsequent sales which are expensed as incurred. Income from development projects is recognised upon substantial completion of each project. Development in progress is shown net of deposits received from purchasers.

(h) Employee benefits:

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

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2013**

4. Significant accounting policies (continued)

(h) Employee benefits (continued):

Employee benefits that are earned as a result of past or current service are recognised in the following manner: Short-term employee benefits are recognised as a liability, net of payments made, and charged as expense. The expected cost of vacation leave that accumulates is recognised when the employee becomes entitled to the leave. Post-employment benefits are accounted for as described below.

The Group provides post-retirement pension and health insurance benefits to employees who have satisfied certain minimum service requirements.

The benefits are accounted for as follows:

(i) Defined-contribution pension plan:

Obligations for contributions to a defined-contribution pension plan are recognised as an expense in profit or loss as incurred.

(ii) Defined-benefit plans:

Employee benefits, comprising post-employment obligations included in the financial statements, have been actuarially determined by a qualified independent actuary, appointed by management. The actuary's report outlines the scope of the valuation and the actuary's opinion. The actuarial valuation is conducted in accordance with IAS 19, and the financial statements reflect the Group's post-employment benefit obligations as computed by the actuary. In carrying out their audit, the auditors rely on the actuary's report.

The Group's net obligation in respect of its defined-benefit plans (note 25) is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; that value is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is determined by reference to the yield at the reporting date on long-term government instruments of terms approximating those of the Group's obligation. The calculation is performed by the actuary using the projected unit credit method.

When the benefits of the plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in profit or loss on the straight-line basis over the average period until the benefits become vested. To the extent that the benefits are vested immediately, the expense is recognised in profit or loss.

To the extent that any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the defined-benefit obligation and the fair value of plan assets, that portion is recognised in profit or loss over the period of the average remaining working lives of staff members in the plan.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued)

March 31, 2013

4. Significant accounting policies (continued)

(i) Insurance contract recognition and measurement:

[i] Insurance contracts

Insurance contracts are accounted for in compliance with the recommendations and practices of the insurance industry, and comply with the provisions of the Insurance Act 2001. The underwriting results are determined after making provision for, *inter alia*, unearned premiums, outstanding claims, unexpired risks, deferred commission expense and deferred commission income.

Gross written premiums

Gross premiums reflect business written during the year, and include adjustments to premiums written in previous years. The earned portion of premiums is recognised as revenue. Premiums are earned from the effective date of the policy.

Unearned premiums

Unearned premiums represent that proportion of the premiums written up to the reporting date which is attributable to subsequent periods and is calculated on the “twenty-fourths” basis on the total premiums written.

Unexpired risks

Unexpired risks represent the amount set aside in addition to unearned premiums, in respect of risks to be borne by a subsidiary under contracts of insurance entered into before the end of the financial year and is actuarially determined.

Outstanding claims

Outstanding claims comprise estimates of the amount of reported losses and loss expenses, plus a provision for losses incurred but not reported based on the historical experience of the subsidiary involved. The loss and loss expense reserves have been reviewed by the subsidiary’s actuary using the past loss experience of the subsidiary and industry data. Amounts recoverable in respect of claims from reinsurers are estimated in a manner consistent with the underlying liabilities.

Management believes that, based on the analysis completed by the actuary, the provision for outstanding losses and loss expenses will be adequate to cover the ultimate net cost of losses incurred up to the reporting date. However, the provision is necessarily an estimate and may, ultimately, be settled for a significantly greater or lesser amount. Any subsequent differences arising are recorded in the period in which they are determined.

Deferred acquisition cost and deferred commission income

Commission income and expense are deferred on a basis consistent with that used for deferring unearned premium income.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2013**

4. Significant accounting policies (continued)

(i) Insurance contract recognition and measurement (continued):

[ii] Reinsurance assets

In the ordinary course of business, the subsidiary seeks to reduce the loss that may result from catastrophe or other events that cause unfavourable underwriting results by reinsuring certain levels of risk with other insurers. Reinsurance ceded does not discharge the subsidiary's liability as the principal insurer. Failure of reinsurers to honour their obligations could result in losses to the subsidiary and the Group. Consequently, a contingent liability exists in the event that an assuming reinsurer is unable to meet its obligations [see note 42(iii)].

Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with reinsured policies. Unearned reinsurance premiums on business ceded up to the reporting date, which are attributable to subsequent periods, are calculated substantially on the "twenty-fourths" basis on the total premiums ceded.

Reinsurance assets are assessed for impairment at each reporting date. A reinsurance asset is deemed impaired, if there is objective evidence, as a result of an event that occurred after its initial recognition, that the subsidiary may not recover all amounts due, and that event has a reliably measurable impact on the amounts that the subsidiary will receive from the reinsurer. Impairment losses on reinsurance assets are recognised in profit or loss.

[iii] Insurance receivable and insurance payable

Amounts due from and to policyholders, brokers, agents and reinsurers are financial instruments and are included in insurance receivables and payables and not in insurance contract provisions or reinsurance assets.

(j) Provisions and contingencies:

[i] Provisions

A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

[ii] Contingencies

When it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability unless the probability of outflow of economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2013**

4. Significant accounting policies (continued)

(k) Financial instruments:

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of the financial statements, financial assets have been determined to include cash and cash equivalents, securities purchased under resale agreements, investments, loans and certain other receivables. Financial liabilities include accounts payable, bank overdraft, securities sold under repurchase agreements, due to specialised financial institutions, shareholders' and depositors' savings, other payables and long-term loans.

(i) Classification:

Management determines the classification of investments at the time of acquisition and takes account of the purpose for which the investments were acquired. Investments are classified as loans and receivables, at fair value through profit or loss, held-to-maturity and available-for-sale securities.

Loans and receivables are those created or acquired by the Group, with fixed or determinable payments and are not quoted in an active market. Loans and receivables comprise cash and cash equivalents, debenture, bonds, certificates of deposit, loans and other assets.

Financial investments at fair value through profit or loss are those held for trading or those designated by management and comprise equity and certain debt securities. Such investments are those which the Group manage and make purchase and sale decisions based on their fair value in accordance with their investment strategy.

Held-to-maturity securities are those with fixed or determinable payment and fixed maturity that the Group has the positive intent and ability to hold to maturity. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years.

Non-derivative financial liabilities are classified as other financial liability.

Other financial liabilities comprise bank overdraft, due to specialised financial institution, long-term loans and other payables.

Derivatives are financial instruments that derive their value from the price of the underlying items such as equities, bond interest rate, foreign exchange or other indices. Derivatives enable users to increase, reduce or alter exposure to credit or market risk. The Group makes use of derivatives to manage its own exposure to foreign exchange risk.

The Group evaluates financial instruments which it acquires or issues to determine whether derivatives are embedded in any of the contracts (making it a "host contract"). The Group accounts for an embedded derivative separately from the host contract when certain conditions are met. Separated embedded derivatives are accounted for depending on their classification, and are presented in the statement of financial position together with the host contract. When an embedded derivative cannot be separated from the host contract, the entire contract is designated as at fair value through profit or loss.

Available-for-sale securities are financial assets that are so designated by the Group.

Available-for-sale instruments comprise certain debt and equity instruments.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2013**

4. Significant accounting policies (continued)

(k) Financial instruments (continued):

(ii) Recognition:

The Group initially recognises loans and advances and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value, plus, for an item not at fair value through profit or loss, transactions that are directly attributable to its acquisition or issue.

(iii) Derecognition:

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

(iv) Measurement:

Subsequent to initial measurement, all available-for-sale assets are measured at fair value, with unrealised gains and losses arising from changes in fair value, except for impairment losses, and foreign currency differences on available-for-sale debt instruments, recognised in other comprehensive income and presented in investment revaluation reserve in equity [see note 31(b)]. Where fair value cannot be reliably determined, they are stated at cost. Where these securities are disposed of or impaired, the related accumulated unrealised gains or losses are reclassified to profit or loss.

Quoted investments classified as at fair value through profit or loss are measured at fair value. Revaluation gains and losses are included in profit or loss.

Derivatives are initially recognised at fair value. Attributable costs are expensed in profit or loss as incurred. Subsequent to initial recognition they are measured at fair value. Where the derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in fair value are recognised immediately in profit or loss.

The fair value of available-for-sale investments at fair value through profit or loss is based on their quoted market bid price at the reporting date. Where a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2013**

4. Significant accounting policies (continued)

(k) Financial instruments (continued):

(iv) Measurement (continued):

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the reporting date.

All non-trading financial assets, loans and receivables and held-to-maturity securities are measured at amortised cost, using the effective interest rate method, less impairment losses. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

(v) Identification and measurement of impairment:

The carrying amounts of the Group's financial assets are reviewed at each reporting date to determine whether there is objective evidence that financial instruments not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and the loss event has an impact on the future cash flows of the asset that can be estimated reliably. If any such indication exists, the asset's recoverable amount is estimated at each reporting date. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, the disappearance of an active market for a security, or other observable data related to a group of assets such as adverse changes in the payment status of the borrowers or issuers in the Group, or economic conditions that correlate with defaults in the Group. In addition, for an investment in an equity instrument, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar risks.

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued)

March 31, 2013

4. Significant accounting policies (continued)

(k) Financial instruments (continued):

(v) Identification and measurement of impairment (continued):

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and advances. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(l) Securities purchased/sold under resale/repurchase agreements:

Securities purchased under resale agreements ("Reverse repo")/sold under repurchase agreements ("Repo") are short-term transactions whereby securities are bought/sold with simultaneous agreements to resell/repurchase the securities on a specified date and at a specified price. Reverse repos and repos are accounted for as short-term collateralised lending and borrowing, respectively, and are carried at amortised cost, less impairments.

The difference between the purchase/sale and resale/repurchase considerations is recognised on the accrual basis over the period of the agreements, using the effective yield method, and is included in interest income and expense, respectively.

(m) Investment properties:

Investment properties are stated at their cost, less accumulated depreciation and impairment losses. Rental income from investment properties is recognised on the straight-line basis over the term of the lease, and accounted for on the accrual basis.

(n) Loans payable:

Loans payable are recognised initially at cost, being their issue proceeds, less attributable transaction costs incurred. Subsequent to initial recognition, they are stated at amortised cost, with any difference between net proceeds and redemption value being recognised in profit or loss on the effective interest rate basis. The associated costs are included in interest expense.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2013**

4. Significant accounting policies (continued)

(o) Deferred credit:

Amounts reimbursed by the United States Agency for International Development (USAID) for the purchase of property, plant and equipment are deferred. Annual transfers, equivalent to the depreciation charge on the property, plant and equipment funded by the reimbursement, are made to profit or loss.

(p) Other assets:

Other assets are stated at amortised cost, less impairment losses.

(q) Cash and cash equivalents:

Cash and cash equivalents are shown at cost. They comprise cash balances and cash reserve at the Bank of Jamaica, cash in hand and short-term, highly liquid investments where original maturities do not exceed three months, are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term commitments. Bank overdrafts are repayable on demand. Bank overdrafts form an integral part of the Group's cash management for financing operations and are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(r) Operating leases:

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

(s) Related parties:

A related party is a person or entity that is related to the Group ("reporting entity").

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

- i) has control or joint control over the Group;
- ii) has significant influence over the Group; or
- iii) is a member of the key management personnel of the Group.

b) An entity is related to the Group if any of the following conditions applies:

- i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- iii) Both entities are joint ventures of the same third party.
- iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2013**

4. Significant accounting policies (continued)

(s) Related parties (continued):

a) An entity is related to the Group if any of the following conditions applies:

vi) The entity is controlled, or jointly controlled by a person identified in (a).

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

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

(t) Intangible assets:

(i) Goodwill:

Goodwill represents amounts arising on acquisition of subsidiaries and other business ventures. It comprises the excess of the cost of the acquisition over the fair value of the net identifiable assets acquired.

Goodwill is stated at cost, less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment. Negative goodwill arising on acquisition is recognised directly in profit or loss.

(ii) Other intangible assets:

Other intangible assets that are acquired by the Group are stated at cost, less accumulated amortisation [see (iv) below] and impairment losses.

(iii) Subsequent expenditure:

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(iv) Amortisation:

Amortisation is charged to profit or loss on the straight-line basis over the estimated useful lives of intangible assets, unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each reporting date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Trademarks	5 years
Software	3 years

(u) Other payables:

Other payables are stated at amortised cost.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued)

March 31, 2013

4. Significant accounting policies (continued)

(v) Revenue recognition:

Revenue from the sale of goods or provision of services is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, or material associated costs on the possible return of goods.

Revenue from membership fees is recognised over the term of the membership. Revenue received in advance is deferred to match the revenue with the future costs associated with providing the service.

Media revenue is recognised when the related advertisement or commercial appears before the public. Production revenue is recognised by reference to the stage of completion of the project.

Money transfer and agents' fees are recognised at the time the subsidiaries, or one of their agents, transmit funds on behalf of the customer. Foreign exchange fees are recognised as earned, based on the value of remittances. Commission is recognised as earned.

The accounting policies for the recognition of revenue from insurance contracts in respect of gross premiums written are disclosed in note 4(i)[i].

Reinsurance commission is recognised on a basis that is consistent with the recognition of the costs incurred on the acquisition of the underlying insurance contracts (see note 4(i)[i]). Commission income in respect of reinsurance contracts is recognised on the accrual basis.

Investment income arises from financial assets and is comprised of interest and dividends and recognised gains/losses on financial assets. Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities.

Accounting policy for interest income is described at note 4(f).

(w) Fees and commission:

Fees and commission income and expense that are integral to the negotiation of a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed. When a loan commitment is not expected to result in the drawdown of a loan, loan commitment fees are recognised on the straight-line basis over the commitment period.

Other fees and commission expenses relate mainly to transaction and service fees that are recognised and expensed as the services are received.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued)

March 31, 2013

4. Significant accounting policies (continued)

(x) Impairment of non-financial assets:

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. For the purpose of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed, if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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

Certain new, revised and amended standards and interpretations have been issued which are not yet effective for the current year and which the Group has not early-adopted. The Group has assessed the relevance of all such new standards, amendments and interpretations with respect to the Group's operations and has determined that the following are likely to have an effect on the consolidated financial statements.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2013**

4. Significant accounting policies (continued)

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

- IFRS 9, *Financial Instruments*, is effective for annual reporting periods beginning on or after January 1, 2015. The standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. It eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables. For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, to present all fair value changes from the investment in other comprehensive income. The standard includes guidance on classification and measurement of financial liabilities designated as fair value through profit or loss and incorporates certain existing requirements of IAS 39 *Financial Instruments: Recognition and Measurement* on the recognition and de-recognition of financial assets and financial liabilities.

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

- IAS 1, *Presentation of Financial Statements*, has been amended by the issue of a document entitled *Presentation of Items of Other Comprehensive Income*, effective for annual reporting periods beginning on or after July 1, 2012, to require a reporting entity to present separately the items of other comprehensive income (OCI) that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. Consequently, an entity that presents items of OCI before related tax effects will also have to allocate the aggregated tax amount between these sections. The existing option to present the profit or loss and other comprehensive income in two statements has not changed. The title of the statement has changed from 'Statement of Comprehensive Income' to 'Statement of Profit or Loss and Other Comprehensive Income'. However, an entity is still allowed to use other titles.

The Group is assessing the impact this amendment may have on its 2014 financial statements.

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

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

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2013**

4. Significant accounting policies (continued)

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

- IFRS 10, *Consolidated Financial Statements*, which is effective for annual reporting periods beginning on or after January 1, 2013, introduces a new approach to determining which investees should be consolidated. It was issued as part of a suite of consolidation and related standards, also replacing existing requirements for joint ventures (now Joint Arrangements) and making limited amendments in relation to associates. IFRS 10 supersedes IAS 27, *Consolidated and Separate Financial Statements*, and SIC-12, *Consolidation – Special Purpose Entities*, and provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. An investor controls an investee when (i) it is exposed, or has rights, to variable returns from its involvement with the investee, (ii) has the ability to affect those returns through its power over the investee and (iii) there is a link between power and returns.

The Group is assessing the impact that the standard may have on its 2014 financial statements.

- IFRS 11, *Joint Arrangements*, which is effective for annual reporting periods beginning on or after January 1, 2013, identifies two main types of joint arrangements – joint operations and joint ventures: (i) Those cases in which although there is a separate vehicle created by the venturers, that separation is ineffective in certain ways, are now called *joint operations*. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31. (ii) All other joint arrangements, now called *joint ventures*, are required to be accounted for using the equity method (thus prohibiting the use of proportionate consolidation). The application of the equity method is subject to two exemptions carried forward from IAS 28 (2008) and IAS 31.

The Group is assessing the impact that the standard may have on its 2014 financial statements.

- IFRS 12, *Disclosure of Interest in Other Entities*, which is effective for annual reporting periods beginning on or after January 1, 2013, contains disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e., joint operations or joint ventures), associates and/or unconsolidated structured entities. *Interests* are widely defined as contractual and non-contractual involvement that expose an entity to variability of returns from the performance of the other entity. *Structured entities* are entities that are designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. The disclosure requirements encompass risk exposures for the sponsor of such an entity even if it no longer has any contractual involvement. These required disclosures aim to provide information to enable users to evaluate the nature of, and risks associated with, an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows.

The Group is expected to understand what a structured entity is in the context of its operations; apply judgement in assessing whether it is 'involved' with a structured entity, which has the potential to broaden the transactions and relationships to which the disclosures may apply, particularly for those who sponsor, or perhaps even transact with, but do not consolidate structured entities; and assess the level of disclosure that it believes will be meaningful to users of the financial statements.

The Group is assessing the impact this amendment may have on its 2014 financial statements.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued)

March 31, 2013

4. Significant accounting policies (continued)

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

- IFRS 13 *Fair Value Measurement* defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value and is applicable to assets, liabilities and an entity's own equity instruments that, under other IFRS, are required or permitted to be measured at fair value or when disclosure of fair values is provided. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The standard is effective for annual reporting periods beginning on or after January 1, 2013.

The Group is assessing the impact that this standard may have in its 2014 financial statements.

- IAS 19, *Employee Benefits*, has been amended, effective for annual reporting periods beginning on or after January 1, 2013, to require all actuarial gains and losses to be recognised immediately in other comprehensive income. This change will remove the corridor method and eliminate the ability of entities to recognise all changes in the defined-benefit obligation and in plan assets in profit or loss. The expected return on plan assets recognised in profit or loss is to be calculated based on the rate used to discount the defined-benefit obligation. The amendment also includes changes to the definitions and disclosure requirements in the current standard.

The Group is assessing the impact this amendment may have on its 2014 financial statements.

- *Improvements to IFRS 2009-2011* cycle contains amendments to certain standards and interpretations and are effective for accounting periods beginning on or after January 1, 2013. The main amendments applicable to the Group are as follows:

- *IAS 1 Presentation of Financial Statements* is amended to clarify that only one comparative period, which is the preceding period, is required for a complete set of financial statements. IAS 1 requires the presentation of an opening statement of financial position when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification. IAS 1 has been amended to clarify that (a) the opening statement of financial position is required only if a change in accounting policy, a retrospective restatement or a reclassification has a material effect upon the information in that statement of financial position; (b) except for the disclosures required under IAS 8, notes related to the opening statement of financial position are no longer required; and (c) the appropriate date for the opening statement of financial position is the beginning of the preceding period, rather than the beginning of the earliest comparative period presented.
- *IAS 16 Property, Plant and Equipment* – The standard is amended to clarify that the definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether spare parts, stand-by equipment and servicing equipment should be accounted for under the standard. If these items do not meet the definition, then they are accounted for using *IAS 2 Inventories*.
- *IAS 32 Financial Instruments: Presentation* – The standard is amended to clarify that *IAS 12 Income Taxes* applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction.

The Group is assessing the impact that the amendments may have on its 2014 financial statements.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2013**

5. Accounting estimates and judgements

Note 39 gives information about the risks and uncertainties associated with financial instruments. Note 43 gives information about the assumptions and uncertainties relating to insurance liability and discloses the risk factors in these contracts. Judgements made by management in the application of IFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed below:

(a) Key sources of estimation uncertainty

(i) Post-retirement benefits

The amounts recognised in the statement of financial position and statement of revenue and expenses for certain post-retirement benefits are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognised include the discount rate used to determine the present value of estimated future cash flows required to settle the post-retirement obligations and the expected rate of increase in medical costs for post-retirement medical benefits.

The discount rate is determined based on the estimate of yield on long-term government securities that have maturity dates approximating the terms of the Group's obligation. In the absence of such instruments in Jamaica, it has been necessary to estimate the rate by extrapolating from the longest-tenor security on the market. The estimate of expected rate of increase in medical costs is determined based on inflationary factors. Any changes in these assumptions will impact the amounts recorded in the financial statements for these obligations.

(ii) Allowance for loan losses

In determining amounts recorded for impairment of loans in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from loans, for example, repayment default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired loans, as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are not observable on individual significant loans and loan portfolios with similar characteristics, such as credit risks.

(iii) Valuation of financial instruments

The Group's accounting policy on fair value measurements is discussed in accounting policy [4(k)(iv)].

The Group measures fair values using the fair value hierarchy (note 39) that reflects the significance of the inputs used in making the measurements:

- Level 1 – Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2 – Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued)

March 31, 2013

5. Accounting estimates and judgements (continued)

(a) Key sources of estimation uncertainty (cont'd)

(iii) Valuation of financial instruments (cont'd)

- Level 3 – Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates.

Considerable judgment is required in interpreting market data to arrive at estimates of fair values. Consequently, the estimates arrived at may be significantly different from the actual price of the instrument in an arm's length transaction.

(iv) Outstanding claims:

Outstanding claims comprise estimates of the amount of reported losses and loss expenses plus a provision for losses incurred but not reported based on historical experience. The loss reserves have been determined by a subsidiary company's actuary using the subsidiary company's past loss experience and industry data.

Amounts recoverable in respect of claims from re-insurers are estimated in a manner consistent with the underlying liabilities.

Management believes, based on the analysis completed by the actuary, that the provision for outstanding losses and loss expenses will be adequate to cover the ultimate net cost of losses incurred up to the reporting date. However, the provision is necessarily an estimate and may, ultimately, be settled for a significantly greater or lesser amount. Any subsequent differences arising are recorded in the period in which they are determined.

(v) Goodwill:

Goodwill is tested annually for impairment. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued)

March 31, 2013

5. Accounting estimates and judgements (continued)

(b) Critical accounting judgements in applying accounting policies

(i) Held-to maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity may be classified as held-to-maturity, if an entity has the positive intent and ability to hold these instruments to maturity. In classifying financial assets as held-to-maturity, the Group has determined that it has both the positive intention and ability to hold the assets until maturity date.

(ii) Impairment of investment in equity securities

Investments in equity securities are evaluated for impairment on the basis described in accounting policy [4 (k)(v)].

For an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. In this respect, the Group regards a decline in fair value in excess of 20 percent to be “significant” and a decline in a quoted market price that persists for nine months or longer to be “prolonged”.

It is reasonably probable, based on existing knowledge, that outcomes within the next financial year that are different from these assumptions could require a material adjustment to the carrying amount reflected in the financial statements.

6. Roles of the actuaries and auditors

The actuaries have been appointed by management pursuant to the requirements of IAS 19 and the Insurance Act 2001. With respect to preparation of financial statements, the actuary is required to carry out an actuarial valuation of management’s estimate of the Group’s health, group life and policy liabilities and report thereon to the members. The actuary for an insurance subsidiary is required to carry out an actuarial valuation of management’s estimate of the company’s liabilities and report thereon to the shareholders. Actuarially determined policy liabilities consist of the provisions for, less reinsurance recovery of, unpaid claims and adjustment expenses on insurance policies in force, including provisions for salvage and subrogation.

The valuation is made in accordance with accepted actuarial practice, as well as any other matter specified in any directive made by regulatory authorities. The actuary, in his verification of the management information provided by the Group used in the valuation, also makes use of the work of the external auditors. The actuary’s report outlines the scope of his work and opinion.

The external auditors have been appointed by the members to conduct an independent and objective audit of the financial statements of the Society and Group in accordance with International Standards on Auditing, and report thereon to the members. In carrying out their audit, the auditors also make use of the work of the actuary and his report on the Group’s post-employment and other obligations and the subsidiary’s actuarially determined policy liabilities. The auditors’ report outlines the scope of their audit and their opinion.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2013**

7. Cash and cash equivalents

	Group		Society	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	\$'000	\$'000	\$'000	\$'000
Cash reserve with Bank of Jamaica [see (a)]	739,922	694,591	739,922	694,591
Cash and bank balances [see (b), (c), (d)]	<u>3,349,330</u>	<u>3,330,803</u>	<u>1,621,569</u>	<u>2,154,320</u>
Total cash and cash equivalents	<u>4,089,252</u>	<u>4,025,394</u>	<u>2,361,491</u>	<u>2,848,911</u>

- (a) Statutory reserves, required by regulation to be held at Bank of Jamaica, comprise cash reserves not available for use by the Society and are determined by the percentage of average specified liabilities stipulated by Bank of Jamaica. For the rate to remain at no more than one percent of average specified liabilities, as defined, the Society must have qualifying assets of a stipulated percentage of the average specified liabilities.

At March 31, 2013, the stipulated percentage was 40% (2012: 40%) compared to the Society's holding of qualifying assets of 60.71% (2012: 59.07%).

- (b) Cash and bank balances include deposits held on behalf of clients of \$43,303,000 (2012: \$40,507,000) in the books of a subsidiary. The corresponding liabilities are included in other payables.
- (c) The Society has the following securities pledged:
- (i) \$209,000,000 (2012: \$201,000,000) to facilitate settlement of Multilink transactions;
 - (ii) \$50,000,000 (2012: \$50,000,000) with a commercial bank to cover uncleared funds up to a limit of \$900,000,000 (2011: \$500,000,000); and
 - (iii) \$2,589,000 (2012: \$2,527,000) with a commercial bank to cover a third party guarantee.
- (d) A subsidiary has a \$10,000,000 (2012: \$25,000,000) overdraft facility with a commercial bank, which is secured by a lien on a fixed deposit account in the amount of US\$95,735 (2012: US\$95,735) and hypothecation of certain deposits in the amount of US\$100,000 (2012: US\$100,000).

8. Securities purchased under resale agreements

	Group		Society	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	\$'000	\$'000	\$'000	\$'000
Principal	21,493,880	20,397,405	10,404,762	10,305,646
Interest receivable	<u>177,603</u>	<u>151,295</u>	<u>41,591</u>	<u>80,984</u>
	<u>21,671,483</u>	<u>20,548,700</u>	<u>10,446,353</u>	<u>10,386,630</u>

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued)

March 31, 2013

8. Securities purchased under resale agreements (continued)

At March 31, 2013, securities obtained and held under resale agreements had a fair value of \$24,222,380,000 (2012: \$23,161,745,000) for the Group and \$11,482,794,000 (2012: \$11,610,473,000) for the Society.

Securities purchased under resale agreements are due from the reporting date as follows:

	Group		Society	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	\$'000	\$'000	\$'000	\$'000
Within 3 months	18,576,541	14,393,620	8,514,316	6,127,689
3 months to 1 year	<u>3,094,942</u>	<u>6,155,080</u>	<u>1,932,037</u>	<u>4,258,941</u>
	<u>21,671,483</u>	<u>20,548,700</u>	<u>10,446,353</u>	<u>10,386,630</u>

9. Investments

	Group		Society	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	\$'000	\$'000	\$'000	\$'000
Loans and receivables:				
Debentures	-	240	-	240
Corporate bonds	4,761,391	4,331,850	4,650,522	4,311,179
Government of Jamaica Global bonds	2,135,608	1,801,745	2,135,608	1,801,745
Certificates of deposit	<u>13,863,416</u>	<u>16,961,833</u>	<u>11,700,643</u>	<u>11,510,762</u>
	<u>20,760,415</u>	<u>23,095,668</u>	<u>18,486,773</u>	<u>17,623,926</u>
Available-for-sale:				
Government of Jamaica securities	33,664,838	29,466,667	18,127,813	16,442,692
Treasury bills	498,997	131,631	498,997	110,631
Quoted equities	966,943	939,476	703,229	664,466
Mutual funds	97,617	-	97,617	-
Unquoted equities [see (i) below]	<u>350</u>	<u>350</u>	<u>350</u>	<u>350</u>
	<u>35,228,745</u>	<u>30,538,124</u>	<u>19,428,006</u>	<u>17,218,139</u>
At fair value through profit and loss:				
Foreign exchange forward contracts	-	119,927	-	119,927
Corporate bonds	994,405	902,238	994,405	902,238
Mortgage investment fund	301,909	-	301,909	-
Quoted equities	<u>47,468</u>	<u>37,829</u>	<u>47,468</u>	<u>37,829</u>
	<u>1,343,782</u>	<u>1,059,994</u>	<u>1,343,782</u>	<u>1,059,994</u>
Interest receivable	<u>477,315</u>	<u>559,630</u>	<u>253,823</u>	<u>331,180</u>
	<u>57,810,257</u>	<u>55,253,416</u>	<u>39,512,384</u>	<u>36,233,239</u>

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2013**

9. Investments (continued)

The fair value of loans and receivables are assumed to approximate their carrying value due to their short-term nature, except for corporate bonds and global bonds which had a fair value of \$6,786,148,000 (2012: \$5,979,948,000).

- (i) This is stated after deducting provision for impairment of \$10,030,000 (2012: \$9,790,295).
- (ii) Investments are due from the reporting date, excluding interest receivable, as follows:

	<u>Group</u>		<u>Society</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	\$'000	\$'000	\$'000	\$'000
No specific maturity	1,112,378	977,895	848,664	702,885
Within 3 months	11,066,332	21,010,935	8,599,999	10,718,095
3 months to 1 year	7,460,473	4,030,355	6,295,112	2,557,425
1 year to 5 years	10,852,581	18,657,001	6,188,359	11,906,054
5 years and over	<u>26,841,178</u>	<u>10,017,600</u>	<u>17,326,427</u>	<u>10,017,600</u>
	<u>57,332,942</u>	<u>54,693,786</u>	<u>39,258,561</u>	<u>35,902,059</u>

- (iii) Investments of a subsidiary totalling \$45,000,000 (2012: \$45,000,000) are held to the order of the Financial Services Commission as required by the Insurance Act 2001.
- (iv) The Society's USA-based subsidiary, as a money transmitter, is licensed in the States of New York, Maryland, Connecticut, New Jersey, Georgia, Florida and District of Columbia. The regulations require a minimum total net worth of US\$1,750,000 (2012: US\$1,740,000) in lieu of a surety bond in favour of the Superintendent. As at March 31, 2013, the subsidiary had US\$2,403,000 (2012: US\$2,388,000) invested in certificates of deposit to meet minimum requirements established by the States in which the subsidiary operates.

10. Liquid assets

Certain balances included in cash and cash equivalents, investments and securities purchased under resale agreements are defined as liquid assets in accordance with the Regulations.

In the books of the Society, liquid assets amounting to \$16,863,644,000 (2012: \$14,579,408,000) represent:

- (i) 16.25% (2012: 15.13%) of the Society's total assets; and
- (ii) 22.54% (2012: 21.01%) of the Society's total savings fund.

11. Interest in subsidiaries

	<u>Society</u>	
	<u>2013</u>	<u>2012</u>
	\$'000	\$'000
Shares, at cost or written down value (see note 1)	818,088	818,088
Debentures, loans, advances and deposits	482,233	455,729
Current accounts	<u>355,003</u>	<u>374,105</u>
	<u>1,655,324</u>	<u>1,647,922</u>

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued)
March 31, 2013

12. Interest in associates

	Group		Society	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	\$'000	\$'000	\$'000	\$'000
Shares, net (see note 1)	153	153	153	153
Group's share of reserves	298,104	319,809	-	-
Debentures	<u>14,169</u>	<u>14,169</u>	<u>582</u>	<u>582</u>
	<u>312,426</u>	<u>334,131</u>	<u>735</u>	<u>735</u>

Summary financial information for equity-accounted investees is as follows:

	<u>Reporting date</u>	<u>Ownership</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Net assets</u>	<u>Revenue</u>	<u>Profit (loss)</u>	<u>Other comprehensive income</u>	<u>Group's share of net assets</u>	<u>Group's share of profit/(loss)</u>
			\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2013										
Jamaica Joint Venture Investment Company Limited	Dec - 12	33%	69,511	10,144	59,397	60,123	9,254	-	19,601	3,054
Knutsford Holdings Limited	Dec - 12	40%	<u>517,123</u>	<u>54,490</u>	<u>462,633</u>	<u>99,854</u>	<u>(1,897)</u>	<u>(60,000)</u>	<u>185,053</u>	<u>(24,759)</u>
Total			<u>586,634</u>	<u>64,634</u>	<u>522,030</u>	<u>159,977</u>	<u>7,357</u>	<u>(60,000)</u>	<u>204,654</u>	<u>(21,705)</u>
2012										
Jamaica Joint Venture Investment Company Limited	Dec - 11	33%	58,481	8,338	50,143	49,476	7,392	-	16,547	-
Knutsford Holdings Limited	Dec - 11	40%	<u>579,887</u>	<u>55,357</u>	<u>524,530</u>	<u>112,902</u>	<u>59,724</u>	-	<u>209,812</u>	<u>23,889</u>
Total			<u>638,368</u>	<u>63,695</u>	<u>574,673</u>	<u>162,378</u>	<u>67,116</u>	-	<u>226,359</u>	<u>23,889</u>

THE JAMAICA NATIONAL BUILDING SOCIETY**Notes to the financial statements (Continued)**
March 31, 2013**13. Loans**

Loans, less allowances for losses, are as follows:

	Group		Society	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	\$'000	\$'000	\$'000	\$'000
Mortgage loans - principal	48,017,905	43,835,235	43,790,533	39,976,627
Share loans	1,579,406	1,118,546	1,548,299	1,118,546
Other loans	1,845,647	1,670,841	369,368	299,744
Accrued interest	<u>298,697</u>	<u>255,966</u>	<u>243,984</u>	<u>220,468</u>
	<u>51,741,655</u>	<u>46,880,588</u>	<u>45,952,184</u>	<u>41,615,385</u>

The Society's mortgage loan agreements include the right to call mortgages at any time with six months notice, except for new loans, which cannot be called until six months after the issue date.

Loans, less allowance for losses are due from the reporting date, as follows:

	Group		Society	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	\$'000	\$'000	\$'000	\$'000
Within 3 months	333,592	339,418	44,451	40,007
3 months to 1 year	1,298,026	1,229,275	404,117	257,213
1 year to 5 years	3,596,021	2,798,152	3,172,371	2,557,460
5 years and over	<u>46,514,016</u>	<u>42,513,743</u>	<u>42,331,245</u>	<u>38,760,705</u>
	<u>51,741,655</u>	<u>46,880,588</u>	<u>45,952,184</u>	<u>41,615,385</u>

The Group's loan portfolio, less allowance for losses, is concentrated as follows:

	Number of accounts		Value	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
			\$'000	\$'000
Professional & other services	34	59	371,816	538,256
Individuals	38,884	35,858	49,897,871	44,768,800
Corporations	576	614	1,445,756	1,538,550
Tourism	<u>40</u>	<u>49</u>	<u>26,212</u>	<u>34,982</u>
	<u>39,534</u>	<u>36,580</u>	<u>51,741,655</u>	<u>46,880,588</u>

THE JAMAICA NATIONAL BUILDING SOCIETY**Notes to the financial statements (Continued)**
March 31, 2013**13. Loans (continued)**

The Society's loan portfolio, less allowance for losses, is concentrated as follows:

	<u>Number of accounts</u>		<u>Value</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
			\$'000	\$'000
Professional and other services	28	32	228,262	245,208
Individuals	24,133	22,780	44,769,367	40,375,968
Corporations	84	93	931,473	966,227
Tourism	<u>4</u>	<u>4</u>	<u>23,082</u>	<u>27,982</u>
	<u>24,249</u>	<u>22,909</u>	<u>45,952,184</u>	<u>41,615,385</u>

Loans and advances on which interest is no longer accrued [see note 4(f)] amounted to \$5,561,538,000 (2012: \$6,010,494,000) and represent 11.86% (2012: 14.18%) of the gross mortgage loan portfolio. These loans are included in the financial statements, net of allowance for losses.

Loans are shown after deducting allowances for loan losses, allowance is as follows:

	<u>Group</u>		<u>Society</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	\$'000	\$'000	\$'000	\$'000
At beginning of the year	1,134,051	913,536	776,639	702,847
Additional allowance made during the year	285,511	220,998	159,045	73,792
Written back during the year	(75,128)	(483)	-	-
At end of the year [note 39(b)]	<u>1,344,434</u>	<u>1,134,051</u>	<u>935,684</u>	<u>776,639</u>

Allowance for loan losses made in accordance with the requirements of IFRS is as follows:

	<u>Group</u>		<u>Society</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	\$'000	\$'000	\$'000	\$'000
Specific provision	1,017,349	833,191	608,600	475,779
General provision	<u>327,085</u>	<u>300,860</u>	<u>327,084</u>	<u>300,860</u>
	<u>1,344,434</u>	<u>1,134,051</u>	<u>935,684</u>	<u>776,639</u>

Provision made in accordance with Bank of Jamaica provisioning requirements is as follows:

	<u>Group</u>		<u>Society</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	\$'000	\$'000	\$'000	\$'000
Specific provision	2,238,492	1,621,920	1,829,742	1,264,509
General provision	<u>390,619</u>	<u>345,880</u>	<u>327,084</u>	<u>300,860</u>
	<u>2,629,111</u>	<u>1,967,800</u>	<u>2,156,826</u>	<u>1,565,369</u>

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2013**

13. Loans (continued)

The total provision is broken down as follows:

	Group		Society	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	\$'000	\$'000	\$'000	\$'000
Provision as per IFRS	1,344,434	1,134,051	935,684	776,639
Additional provision based on Bank of Jamaica regulations [note 31(c)]	<u>1,284,677</u>	<u>833,749</u>	<u>1,221,142</u>	<u>788,730</u>
	<u>2,629,111</u>	<u>1,967,800</u>	<u>2,156,826</u>	<u>1,565,369</u>

Included in mortgage loans for the Society and the Group are balances due from directors and companies controlled by directors amounting to \$8,391,000 (2012: \$16,914,000) and interest due on these loans of \$ Nil (2012: \$Nil).

14. Other assets

	Group		Society	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	\$'000	\$'000	\$'000	\$'000
Other receivables	1,768,655	1,308,803	408,979	354,270
Reinsurance assets [note 26(a)]	828,374	673,515	-	-
Development in progress	45,904	45,795	-	-
Inventories	<u>83,705</u>	<u>65,546</u>	<u>12,635</u>	<u>20,061</u>
	<u>2,726,638</u>	<u>2,093,659</u>	<u>421,614</u>	<u>374,331</u>

15. Assets held-for-sale

	Group		Society	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	\$'000	\$'000	\$'000	\$'000
Purchased property (i)	16,605	15,447	-	-
Acquired property (ii)	64,958	64,958	-	-
Foreclosure properties (iii)	136,307	-	136,307	-
Less impairment losses	<u>(41,437)</u>	<u>-</u>	<u>(41,437)</u>	<u>-</u>
	<u>176,433</u>	<u>80,405</u>	<u>94,870</u>	<u>-</u>

- i. This represents land and building located in Bristol, United Kingdom, which the Group acquired during the prior year.
- ii. This is land and building located in Kingston, Jamaica, acquired in a business combination in September 2010, and classified as held-for-sale, following the decision of the Group's management to sell the properties. The Group continues its efforts to sell the properties which is expected to be completed within a year.
- iii. The society acquired real properties through foreclosure on collateral held as securities against loans.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued)
March 31, 2013

16. Investment properties

	<u>Group</u> \$'000	<u>Society</u> \$'000
At cost:		
March 31, 2011	386,240	111,670
Addition	98,917	-
Transfer	(1,035)	-
March 31, 2012	484,122	111,670
Addition	74,210	66,100
Translation adjustment	<u>7,674</u>	<u>-</u>
March 31, 2013	<u>566,006</u>	<u>177,770</u>
Depreciation:		
March 31, 2011	68,904	32,187
Charge for the year	8,571	2,385
Translation adjustment	<u>265</u>	<u>-</u>
March 31, 2012	77,740	34,572
Charge for the year	11,366	2,525
Translation adjustment	<u>3,955</u>	<u>-</u>
March 31, 2013	<u>93,061</u>	<u>37,097</u>
Carrying values:		
March 31, 2013	<u>472,945</u>	<u>140,673</u>
March 31, 2012	<u>406,382</u>	<u>77,098</u>
March 31, 2011	<u>317,336</u>	<u>79,483</u>

	<u>Group</u>		<u>Society</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	\$'000	\$'000	\$'000	\$'000
Fair value of investment properties	1,426,566	1,350,465	946,000	880,000
Income earned from the properties	83,613	75,236	42,879	39,172
Expenses incurred by the properties	<u>55,895</u>	<u>51,294</u>	<u>40,095</u>	<u>36,639</u>

Land and building which are classified as investment property in a subsidiary is occupied by certain fellow subsidiaries. It has, therefore, been reclassified as property, plant and equipment on the Group basis.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) March 31, 2013

17. Property, plant and equipment

	Group					
	<u>Freehold land and buildings</u>	<u>Leasehold land and buildings</u>	<u>Computers and office equipment</u>	<u>Motor vehicles</u>	<u>Work-in- progress</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At cost:						
March 31, 2011	1,576,794	271,022	2,596,169	379,732	94,886	4,918,603
Additions	76,510	14,340	163,341	136,422	171,223	561,836
Translation adjustment	-	1,095	1,749	109	-	2,953
Transfers	165,221	5,564	74,847	-	(245,632)	-
Disposals	-	-	(7,257)	(55,915)	-	(63,172)
Write-offs	-	-	(190,645)	-	-	(190,645)
March 31, 2012	1,818,525	292,021	2,638,204	460,348	20,477	5,229,575
Additions	42,415	10,618	210,745	138,437	63,664	465,879
Translation adjustment	-	13,495	17,038	875	-	31,408
Transfers	30,110	12,970	11,343	-	(58,033)	(3,610)
Disposals	-	(10,421)	(52,701)	(72,740)	-	(135,862)
March 31, 2013	<u>1,891,050</u>	<u>318,683</u>	<u>2,824,629</u>	<u>526,920</u>	<u>26,108</u>	<u>5,587,390</u>
Depreciation:						
March 31, 2011	230,891	219,755	1,720,346	249,197	-	2,420,189
Charge for the year	39,657	26,364	246,825	57,308	-	370,154
Translation adjustment	(1,521)	997	6,867	(147)	-	6,196
Eliminated on disposals	-	-	(6,297)	(49,430)	-	(55,727)
Adjustment for write-offs	-	-	(151,887)	-	-	(151,887)
March 31, 2012	269,027	247,116	1,815,854	256,928	-	2,588,925
Charge for the year	45,483	21,495	215,134	77,291	-	359,403
Translation adjustment	-	-	13,616	867	-	14,483
Eliminated on disposals	-	(9,968)	(40,828)	(65,779)	-	(116,575)
March 31, 2013	<u>314,510</u>	<u>258,643</u>	<u>2,003,776</u>	<u>269,307</u>	<u>-</u>	<u>2,846,236</u>
Net book values:						
March 31, 2013	<u>1,576,540</u>	<u>60,040</u>	<u>820,853</u>	<u>257,613</u>	<u>26,108</u>	<u>2,741,154</u>
March 31, 2012	<u>1,549,498</u>	<u>44,905</u>	<u>822,350</u>	<u>203,420</u>	<u>20,477</u>	<u>2,640,650</u>
March 31, 2011	<u>1,345,903</u>	<u>51,267</u>	<u>875,823</u>	<u>130,535</u>	<u>94,886</u>	<u>2,498,414</u>

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2013**

17. Property, plant and equipment (continued)

	Society					
	Freehold land and buildings \$'000	Leasehold land and buildings \$'000	Computers and office equipment \$'000	Motor vehicles \$'000	Work-in- progress \$'000	Total \$'000
At cost:						
March 31, 2011	1,014,855	111,653	1,775,366	290,306	77,430	3,269,610
Additions	55,018	4,630	95,300	111,170	161,530	427,648
Transfers	157,207	5,564	65,405	-	(228,176)	-
Write-offs	-	-	(190,645)	-	-	(190,645)
Disposals	-	-	-	(38,422)	-	(38,422)
March 31, 2012	1,227,080	121,847	1,745,426	363,054	10,784	3,468,191
Additions	23,865	106	136,274	120,561	58,347	339,153
Transfers	30,110	6,887	11,343	-	(48,340)	-
Disposals	-	-	(5,911)	(60,135)	-	(66,046)
March 31, 2013	<u>1,281,055</u>	<u>128,840</u>	<u>1,887,132</u>	<u>423,480</u>	<u>20,791</u>	<u>3,741,298</u>
Depreciation:						
March 31, 2011	177,952	82,948	1,091,938	186,513	-	1,539,351
Charge for the year	24,359	15,583	172,309	45,681	-	257,932
Adjustment for write-offs (168)	-	(151,719)	-	-	(151,887)
Eliminated on disposals	-	-	-	(33,648)	-	(33,648)
March 31, 2012	202,143	98,531	1,112,528	198,546	-	1,611,748
Charge for the year	28,454	12,160	144,381	62,939	-	247,934
Eliminated on disposals	-	-	(3,894)	(52,153)	-	(56,047)
March 31, 2013	<u>230,597</u>	<u>110,691</u>	<u>1,253,015</u>	<u>209,332</u>	<u>-</u>	<u>1,803,635</u>
Net book values:						
March 31, 2013	<u>1,050,458</u>	<u>18,149</u>	<u>634,117</u>	<u>214,148</u>	<u>20,791</u>	<u>1,937,663</u>
March 31, 2012	<u>1,024,937</u>	<u>23,316</u>	<u>632,898</u>	<u>164,508</u>	<u>10,784</u>	<u>1,856,443</u>
March 31, 2011	<u>836,903</u>	<u>28,705</u>	<u>683,428</u>	<u>103,793</u>	<u>77,430</u>	<u>1,730,259</u>

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) March 31, 2013

18. Intangible assets

	Group				
	Trademarks	Goodwill	Licence	Software	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
At cost:					
March 31, 2011	174,326	744,553	435	731,447	1,650,761
Additions	-	14,651	-	19,067	33,718
Translation adjustments	-	21,926	-	-	21,926
Write-offs	-	-	-	(80,083)	(80,083)
Transfer	-	-	-	9,137	9,137
Disposals	-	-	-	(202)	(202)
March 31, 2012	174,326	781,130	435	679,366	1,635,257
Additions	20	-	-	46,286	46,306
Transfers	-	29,034	-	(25,424)	3,610
Translation adjustment	11,976	70,511	-	3,873	86,360
Impairment	(26,542)	-	-	-	(26,542)
March 31, 2013	159,780	880,675	435	704,101	1,744,991
Depreciation:					
March 31, 2011	9,614	88,582	-	524,874	623,070
Adjustment for write-offs	-	-	-	(79,583)	(79,583)
Eliminated on disposals	-	-	-	(45)	(45)
Charge for the year	-	-	-	105,171	105,171
Impairment	-	51,712	-	-	51,712
Translation adjustment	-	-	-	243	243
March 31, 2012	9,614	140,294	-	550,660	700,568
Charge for the year	123	-	-	96,513	96,636
Impairment	-	54,869	-	-	54,869
Translation adjustment	102	-	-	2,368	2,470
Adjustments	-	-	-	(529)	(529)
March 31, 2013	9,839	195,163	-	649,012	854,014
Net book values:					
March 31, 2013	149,941	685,512	435	55,089	890,977
March 31, 2012	164,712	640,836	435	128,706	934,689
March 31, 2011	164,712	655,971	435	206,573	1,027,691

In testing intangible assets for impairment, recoverable amounts of cash-generating units were estimated based on value in use. Where the recoverable amounts exceeded the carrying amounts, no impairment allowance was made. The recoverable amount of cash-generating unit, Quik Cash, was arrived at by estimating its future cash flows and discounting those cash flows using long-term discount rates applicable to Cayman Islands and Jamaica. Future sustainable cash flows were estimated based on the most recent forecasts, based on past experience and management's plans.

THE JAMAICA NATIONAL BUILDING SOCIETY**Notes to the financial statements (Continued)****March 31, 2013****18. Intangible assets (continued)**

Key assumptions used in the discounted cash flow projections are as follows:

	<u>2013</u>	<u>2012</u>
Discount rates	14.2% and 25.6%	17.3%
Growth rate	3.0% and 8%	2.0%
Jamaican dollars devaluation rate	5%	2.5%

	<u>Society</u>
	<u>Software</u>
	<u>\$'000</u>
At cost:	
March 31, 2011	468,213
Additions	11,523
Adjustments	(80,083)
March 31, 2012	399,653
Additions	<u>30,677</u>
March 31, 2013	<u>430,330</u>
Depreciation:	
March 31, 2011	349,943
Charge for the year	66,861
Adjustments	(79,536)
March 31, 2012	337,268
Charge for the year	<u>55,976</u>
March 31, 2013	<u>393,244</u>
Net book values:	
March 31, 2013	<u>37,086</u>
March 31, 2012	<u>62,385</u>
March 31, 2011	<u>118,270</u>

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) March 31, 2013

19. Deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Group					
	Assets		Liabilities		Net	
	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Other assets	(1,778)	(1,683)	(122,669)	(103,500)	(124,447)	(105,183)
Property, plant and equipment	93,809	9,282	(4,603)	24,082	89,206	33,364
Employee benefits	113,353	-	28,443	103,923	141,796	103,923
Other payables	20,283	18,614	61,241	49,159	81,524	67,773
Available-for-sale investments	(52,302)	-	(14,508)	(125,133)	(66,810)	(125,133)
Contractual savings reserve	(4,267)	-	-	(4,267)	(4,267)	(4,267)
Tax losses carried forward	64,539	14,178	-	-	64,539	14,178
Unrealised foreign exchange gains/(losses)	<u>61,976</u>	<u>250</u>	<u>(750)</u>	<u>(35,857)</u>	<u>61,226</u>	<u>(35,607)</u>
Net deferred tax assets/(liabilities)	<u>295,613</u>	<u>40,641</u>	<u>(52,846)</u>	<u>(91,593)</u>	<u>242,767</u>	<u>(50,952)</u>

(i) Movement in net temporary differences during the year are as follows:

	Group			
	2013			
	Balances at April 1, 2012	Recognised in profit/loss	Recognised in other comprehensive income	Balances at March 31, 2013
	\$'000	\$'000	\$'000	\$'000
Other assets	(105,183)	(19,264)	-	(124,447)
Property, plant and equipment	33,364	55,842	-	89,206
Employee benefits	103,923	37,873	-	141,796
Other payables	67,773	13,751	-	81,524
Available-for-sale investments	(125,133)	-	58,323	(66,810)
Contractual savings reserve	(4,267)	-	-	(4,267)
Tax losses carried forward	14,178	50,361	-	64,539
Unrealised foreign exchange gains/losses	<u>(35,607)</u>	<u>96,833</u>	<u>-</u>	<u>61,226</u>
	<u>(50,952)</u>	<u>235,396</u>	<u>58,323</u>	<u>242,767</u>
	2012			
	Balances at April 1, 2011	Recognised in profit/loss	Recognised in other comprehensive income	Balances at March 31, 2012
	\$'000	\$'000	\$'000	\$'000
Other assets	(104,282)	(901)	-	(105,183)
Property, plant and equipment	(4,098)	37,462	-	33,364
Employee benefits	86,737	17,186	-	103,923
Other payables	61,351	6,422	-	67,773
Available-for-sale investments	-	-	(125,133)	(125,133)
Contractual savings reserve	(4,267)	-	-	(4,267)
Tax losses carried forward	24,040	(9,862)	-	14,178
Unrealised foreign exchange gains/losses	<u>856</u>	<u>(36,463)</u>	<u>-</u>	<u>(35,607)</u>
	<u>60,337</u>	<u>13,844</u>	<u>(125,133)</u>	<u>(50,952)</u>

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2013**

19. Deferred tax assets/(liabilities) (continued)

	Society					
	Assets		Liabilities		Net	
	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Property, plant and equipment	68,639	37,328	-	-	68,639	37,328
Employee benefits	113,353	78,946	-	-	113,353	78,946
Other payables	1,760	2,034	-	-	1,760	2,034
Contractual savings reserve	-	-	(4,267)	(4,267)	(4,267)	(4,267)
Available-for-sale investments	-	-	(52,246)	(112,469)	(52,246)	(112,469)
Unrealised foreign exchange gains/(losses)	<u>62,076</u>	<u>-</u>	<u>-</u>	<u>(35,978)</u>	<u>62,076</u>	<u>(35,978)</u>
Net deferred tax assets	<u>245,828</u>	<u>118,308</u>	<u>(56,513)</u>	<u>(152,714)</u>	<u>189,315</u>	<u>(34,406)</u>

(i) Movement in net temporary differences during the year are as follows:

	Society			
	2013			
	Balances at April 1, 2012	Recognised in profit/loss	Recognised in other comprehensive income	Balances at March 31, 2013
	\$'000	\$'000	\$'000	\$'000
Property, plant and equipment	37,328	31,311	-	68,639
Employee benefits	78,946	34,407	-	113,353
Other payables	2,034	(274)	-	1,760
Contractual savings reserve	(4,267)	-	-	(4,267)
Available-for-sale investments	(112,469)	-	60,223	(52,246)
Unrealised foreign exchange gains/losses	<u>(35,978)</u>	<u>98,054</u>	<u>-</u>	<u>62,076</u>
	<u>(34,406)</u>	<u>163,498</u>	<u>60,223</u>	<u>189,315</u>
	2012			
	Balances at April 1, 2011	Recognised in profit/loss	Recognised in other comprehensive income	Balances at March 31, 2012
	\$'000	\$'000	\$'000	\$'000
Property, plant and equipment	14,087	23,241	-	37,328
Employee benefits	61,565	17,381	-	78,946
Other payables	14,106	(12,072)	-	2,034
Contractual savings reserve	(4,267)	-	-	(4,267)
Available-for-sale investments	-	-	(112,469)	(112,469)
Unrealised foreign exchange gains/losses	<u>641</u>	<u>(36,619)</u>	<u>-</u>	<u>(35,978)</u>
	<u>86,132</u>	<u>(8,069)</u>	<u>(112,469)</u>	<u>(34,406)</u>

Movement in temporary differences during the year:

	Group		Society	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Net deferred tax (liabilities)/assets at beginning of year	(50,952)	60,337	(34,406)	86,132
Recognised in equity:				
Available-for-sale investments	58,323	(125,133)	60,223	(112,469)
Recognised in statement of revenue and expenses [note 36(a)(ii)]	<u>235,396</u>	<u>13,844</u>	<u>163,498</u>	<u>(8,069)</u>
Net deferred tax assets at end of year	<u>242,767</u>	<u>(50,952)</u>	<u>189,315</u>	<u>(34,406)</u>

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2013**

20. Shareholders' savings

	<u>Group</u>		<u>Society</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	\$'000	\$'000	\$'000	\$'000
Paid-up investment shares	71,774,616	66,329,112	72,006,293	66,786,863
General investment and subscription shares	7,609,955	6,768,323	2,611,737	2,391,875
Accrued interest	<u>254,455</u>	<u>275,382</u>	<u>202,663</u>	<u>227,639</u>
	<u>79,639,026</u>	<u>73,372,817</u>	<u>74,820,693</u>	<u>69,406,377</u>

Shareholders' savings are due from the reporting date, as follows:

	<u>Group</u>		<u>Society</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	\$'000	\$'000	\$'000	\$'000
Within 3 months	71,016,987	65,737,864	71,248,665	66,231,957
From 3 months to 1 year	8,205,667	7,405,342	3,158,022	2,944,809
Over 1 year	<u>416,372</u>	<u>229,611</u>	<u>414,006</u>	<u>229,611</u>
	<u>79,639,026</u>	<u>73,372,817</u>	<u>74,820,693</u>	<u>69,406,377</u>

The Group's shareholders' savings portfolio is concentrated as follows:

	<u>Number of accounts</u>		<u>Value</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
			\$'000	\$'000
Public authorities	92	79	117,568	59,364
Financial institutions	95	93	411,832	685,391
Commercial and business	1,748	1,938	1,103,426	726,258
Individuals	<u>1,173,973</u>	<u>1,182,993</u>	<u>78,006,200</u>	<u>71,901,804</u>
	<u>1,175,908</u>	<u>1,185,103</u>	<u>79,639,026</u>	<u>73,372,817</u>

The Society's shareholders' savings portfolio is concentrated as follows:

	<u>Number of accounts</u>		<u>Value</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
			\$'000	\$'000
Public authorities	91	78	52,279	7,300
Financial institutions	87	85	337,746	802,973
Commercial and business	1,732	1,917	1,122,233	648,570
Individuals	<u>1,171,474</u>	<u>1,180,232</u>	<u>73,308,435</u>	<u>67,947,534</u>
	<u>1,173,384</u>	<u>1,182,312</u>	<u>74,820,693</u>	<u>69,406,377</u>

THE JAMAICA NATIONAL BUILDING SOCIETY**Notes to the financial statements (Continued)**
March 31, 2013**21. Depositors' savings**

Depositors' savings are time deposits with certain preferential rights and, for the Group, represent 0.0052% (2012: 0.0057%) and, for the Society, Nil % (2012: Nil%) of loan balances outstanding (see note 13).

22. Securities sold under repurchase agreements

	Group		Society	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	\$'000	\$'000	\$'000	\$'000
Principal	19,144,539	15,361,690	-	-
Interest payable	<u>178,603</u>	<u>128,736</u>	<u>-</u>	<u>-</u>
	<u>19,323,142</u>	<u>15,490,426</u>	<u>-</u>	<u>-</u>

Securities sold under repurchase agreements are due from the reporting date, as follows:

	Group		Society	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	\$'000	\$'000	\$'000	\$'000
Within 3 months	16,078,818	11,575,859	-	-
From 3 months to 1 year	2,423,736	2,364,604	-	-
Over 1 year	<u>820,588</u>	<u>1,549,963</u>	<u>-</u>	<u>-</u>
	<u>19,323,142</u>	<u>15,490,426</u>	<u>-</u>	<u>-</u>

At March 31, 2013, securities obtained under resale agreements and certain investments have been pledged by the Group and Society as collateral for repurchase agreements. These financial instruments have a carrying value for the Group of \$20,976,209,000 (2012: \$20,359,689,000) and \$Nil (2012: \$Nil) for the Society.

23. Certificates of participation

Bank of Jamaica certificates of deposit and interest accrued thereon are pledged by a subsidiary as collateral for certificates of participation. These financial instruments have a carrying value of \$1,831,670,000 (2012:\$4,997,999,000).

24. Other payables

	Group		Society	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	\$'000	\$'000	\$'000	\$'000
Staff related accrual	286,058	263,126	273,443	263,126
Insurance payable	433,357	328,021	146,335	103,006
Customers' and other deposits	147,787	177,249	-	-
Trade payables	460,379	355,586	-	-
Other payables	<u>1,423,203</u>	<u>1,373,827</u>	<u>523,292</u>	<u>504,437</u>
	<u>2,750,784</u>	<u>2,497,809</u>	<u>943,070</u>	<u>870,569</u>

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2013**

25. Employee benefit obligation

The Group provides for several post-retirement pension benefits through a defined-contribution scheme which replaced a prior defined-benefit pension scheme for employees within the Society and its local subsidiaries. The pensioners in the defined-benefit scheme were transferred to a defined-contribution scheme, with the guarantee of their pension payments, and active members started to contribute on a defined-contribution basis. The scheme is funded by contributions from the Group and employees in accordance with the rules of the scheme.

Under the defined-contribution schemes, retirement benefits are based on the Group's and employees' accumulated contributions, plus interest and, therefore, the Group has no further liability to fund pension benefits. During a prior period, the trustees of the scheme purchased annuities for the transferring pensioners in the scheme, thereby, removing the liabilities of the guarantee of the pension payments from the scheme.

The following subsidiaries participate in defined-contribution pension schemes in their respective jurisdiction as follows:

<u>Subsidiary</u>	<u>Pension scheme</u>
(i) National Building Society of Cayman	Cayman National Pension Plan
(ii) JN Money Services (USA) Inc	401K retirement plan managed by Global Asset Management
(iii) JN Money Services (Canada) Limited	Registered retirement services plan managed by Manulife Financial
(iv) JN Money Services (Cayman) Limited	Chamber Pension Plan

The total contributions made for the year is included in employee costs (note 37).

The Group provides post-retirement health insurance benefits to retirees who have met certain minimum service requirements.

The amounts recognised in the statement of financial position for employee benefits in respect of the group life and health insurance plans are as follows:

(a) Employee benefit obligation recognised in the statement of financial position:

	<u>Group</u>		<u>Society</u>	
	<u>2013</u> \$'000	<u>2012</u> \$'000	<u>2013</u> \$'000	<u>2012</u> \$'000
Present value of unfunded obligations	493,766	421,157	420,265	357,080
Unrecognised actuarial gain	(89,343)	(91,891)	(92,421)	(93,926)
Supplementary benefit [note 25(g)]	<u>8,748</u>	<u>8,818</u>	<u>-</u>	<u>-</u>
	<u>413,171</u>	<u>338,084</u>	<u>327,844</u>	<u>263,154</u>

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2013**

25. Employee benefit obligation (continued)

(b) Movements in the present value of unfunded obligations:

	Group		Society	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	\$'000	\$'000	\$'000	\$'000
Balances at beginning of year	421,157	316,678	375,080	246,587
Benefits paid	(3,481)	(2,675)	(2,389)	(1,834)
Service and interest costs	75,373	77,715	63,814	59,087
Actuarial loss	<u>717</u>	<u>29,439</u>	<u>(16,240)</u>	<u>53,240</u>
Balances at end of year	<u>493,766</u>	<u>421,157</u>	<u>420,265</u>	<u>357,080</u>

(c) Expense recognised in the statement of revenue and expenses:

	Group		Society	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	\$'000	\$'000	\$'000	\$'000
Current service costs	30,393	35,635	25,660	30,128
Interest on obligation	44,980	36,498	38,154	28,959
Curtailment gain	-	(13,504)	-	-
Net actuarial gains recognised	<u>3,264</u>	<u>1,303</u>	<u>3,264</u>	<u>687</u>
	<u>78,637</u>	<u>59,932</u>	<u>67,078</u>	<u>59,774</u>

(d) Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	<u>2013</u>	<u>2012</u>
	%	%
Discount rate at March 31	10.0	10.0
Health cost inflation rate	7.5	7.5
Salary growth rate	<u>7.5</u>	<u>7.5</u>

(e) Historical information

	Group				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
	\$'000	\$'000	\$'000	\$'000	\$'000
Experience adjustment arising on the plan liabilities	(5,857)	(26,657)	29,004	(49,703)	2,647
Present value of defined-benefit obligation	114,874	227,202	316,678	421,157	493,766
Deficit in the plan	<u>114,874</u>	<u>227,202</u>	<u>316,678</u>	<u>421,157</u>	<u>493,766</u>

	Society				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
	\$'000	\$'000	\$'000	\$'000	\$'000
Experience adjustment arising on the plan liabilities	5,083	(14,392)	15,195	(54,254)	1,543
Present value of defined benefit obligation	64,855	160,195	246,587	357,080	420,265
Deficit in the plan	<u>64,855</u>	<u>160,195</u>	<u>246,587</u>	<u>357,080</u>	<u>420,265</u>

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) March 31, 2013

25. Employee benefit obligation (continued)

- (f) Assumed healthcare cost trends have an effect on the amounts recognised in the statement of revenue and expenses. A one percentage point change in assumed healthcare cost trend rates would have the following effects:

	Group		Society	
	1% Increase \$'000	1% Decrease \$'000	1% Increase \$'000	1% Decrease \$'000
Effect on the aggregate service and interest cost	22,955	(16,056)	19,316	(13,440)
Effect on the defined-benefit obligation	<u>112,013</u>	<u>(77,131)</u>	<u>93,042</u>	<u>(63,092)</u>

- (g) Supplementary pension benefit

A subsidiary company provides supplementary pension for 6 pensioners (2012: 6). The defined-benefit obligation in respect of these pensioners was \$8,748,000 at March 31, 2013 (2012: \$8,818,000).

26. Insurance contract provisions

- (a) Group:

	2013			2012		
	Gross \$'000	Reinsurance \$'000	Net \$'000	Gross \$'000	Reinsurance \$'000	Net \$'000
Claims outstanding	2,489,272	260,792	2,228,480	2,549,226	174,690	2,374,536
Unearned premiums	<u>1,347,816</u>	<u>567,582</u>	<u>780,234</u>	<u>1,240,591</u>	<u>498,825</u>	<u>741,766</u>
	<u>3,837,088</u>	<u>828,374</u>	<u>3,008,714</u>	<u>3,789,817</u>	<u>673,515</u>	<u>3,116,302</u>

- (b) Analysis of movements in insurance contract provisions:

Claims outstanding:

	2013			2012		
	Gross \$'000	Reinsurance \$'000	Net \$'000	Gross \$'000	Reinsurance \$'000	Net \$'000
Claims notified	1,747,795	161,180	1,586,615	2,051,093	191,074	1,860,019
Claims incurred but not reported	<u>801,431</u>	<u>13,510</u>	<u>787,921</u>	<u>963,101</u>	<u>34,103</u>	<u>928,998</u>
Balances at April 1	<u>2,549,226</u>	<u>174,690</u>	<u>2,374,536</u>	<u>3,014,194</u>	<u>225,177</u>	<u>2,789,017</u>
Claims incurred	891,766	218,526	673,240	635,494	55,629	579,865
Claims paid in year	(951,720)	(132,424)	(819,296)	(1,100,462)	(106,116)	(994,346)
Change in outstanding claims provision	(59,954)	86,102	(146,056)	(464,968)	(50,487)	(414,481)
Balances at March 31	<u>2,489,272</u>	<u>260,792</u>	<u>2,228,480</u>	<u>2,549,226</u>	<u>174,690</u>	<u>2,374,536</u>
Claims notified	1,743,739	248,667	1,495,072	1,747,795	161,180	1,586,615
Claims incurred but not reported	<u>745,533</u>	<u>12,125</u>	<u>733,408</u>	<u>801,431</u>	<u>13,510</u>	<u>787,921</u>
Balances at March 31	<u>2,489,272</u>	<u>260,792</u>	<u>2,228,480</u>	<u>2,549,226</u>	<u>174,690</u>	<u>2,374,536</u>

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2013**

26. Insurance contract provisions (continued)

(b) Analysis of movements in insurance contract provisions (cont'd):

Outstanding claims include gross claims payable of \$15,878,000 (2012: \$14,895,000) under policies issued to related parties.

(c) Unearned premiums:

	2013			2012		
	Gross \$'000	Reinsurance \$'000	Net \$'000	Gross \$'000	Reinsurance \$'000	Net \$'000
Balances at April 1	1,240,591	498,824	741,767	1,287,048	457,369	829,679
Premiums written during the year	2,968,182	1,493,125	1,475,057	2,763,922	1,315,171	1,448,751
Premiums earned during the year	(2,860,957)	(1,424,367)	(1,436,590)	(2,810,379)	(1,273,715)	(1,536,664)
Balances at March 31	<u>1,347,816</u>	<u>567,582</u>	<u>780,234</u>	<u>1,240,591</u>	<u>498,825</u>	<u>741,766</u>

(d) Gross unearned premiums are analysed as follows:

	2013 \$'000	2012 \$'000
Liability	69,439	62,015
Motor	580,437	563,154
Pecuniary loss	3,838	3,495
Personal accident	3,023	2,843
Marine	168	218
Property	655,464	575,320
Engineering	<u>35,447</u>	<u>33,546</u>
	<u>1,347,816</u>	<u>1,240,591</u>

(e) Provision for unexpired risks:

	2013			2012		
	Gross \$'000	Reinsurance \$'000	Net \$'000	Gross \$'000	Reinsurance \$'000	Net \$'000
Balances at April 1	-	-	-	22,530	-	22,530
New provisions released	-	-	-	(22,530)	-	(22,530)
Balances at March 31	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2013**

27. Long-term loans

	Group		Society	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	\$'000	\$'000	\$'000	\$'000
Development Bank of Jamaica Limited (i)	20,833	29,167	-	-
Development Bank of Jamaica Limited (ii)	55,000	-	-	-
Development Bank of Jamaica Limited (iii)	-	56	-	-
Development Bank of Jamaica Limited (iv)	47,143	-	-	-
Development Bank of Jamaica Limited (v)	-	21,429	-	-
Development Bank of Jamaica Limited (vi)	15,429	36,000	-	-
Development Bank of Jamaica Limited (vii)	8,572	42,843	-	-
Development Bank of Jamaica Limited (viii)	21,428	50,000	-	-
Development Bank of Jamaica Limited (ix)	28,700	-	-	-
Unsecured bonds (x)	56,481	56,481	-	-
National Investment Fund (xi)	9,823	26,850	-	-
Manhart Properties (xii)	2,520	2,520	2,520	2,520
Citibank (xiii)	-	229,746	-	-
National Export Import Bank of Jamaica Limited (xiv)	166,933	200,000	-	-
Sagcor Investment Limited (xv)	-	5,000	-	-
Sagcor Investment Limited (xvi)	55,000	-	-	-
Micro Investment Development Agency Limited (xvii)	70,590	-	-	-
Micro Investment Development Agency Limited (xviii)	30,408	-	-	-
	<u>588,860</u>	<u>700,092</u>	<u>2,520</u>	<u>2,520</u>

- (i) This loan has a moratorium of twelve months and is repayable in eleven semi-annual payments of \$4,166,667 and one final payment of \$4,166,667. The last payment is due on September 30, 2015. Interest is payable at 7% per annum.
- (ii) The loan commenced on December 12, 2012 and has a moratorium of five months and is repayable in five quarterly payments of \$11,000,000. The last payment is due on June 30, 2014. Interest is payable at 10% per annum.
- (iii) The loan had a moratorium of six months and was repayable in eleven monthly payments of \$28,000. The last payment was due on June 30, 2012. Interest was payable at 10% per annum.
- (iv) The loan commenced on November 30, 2012 and has a moratorium of three months and is repayable in six quarterly payments of \$9,762,714 and a final payment of \$7,857,143. The last payment is due on September 30, 2014. Interest is payable at 10% per annum.
- (v) This loan had a moratorium of two months and was repayable in six quarterly payments of \$7,142,858 and one final payment of \$7,142,852. The last payment was made on December 31, 2012. Interest was payable at 10% per annum.
- (vi) The loan commenced on January 12, 2012 and has a moratorium of four months and is repayable in six quarterly payments of 5,142,852. The last payment is due on March 31, 2014. Interest is payable at 10% per annum.
- (vii) The loan commenced on July 1, 2011 and has a moratorium of three months and is repayable in six quarterly payments of \$8,571,429 and one final payment of \$8,571,426. The last payment is due on June 30, 2013. Interest is payable at 10% per annum.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2013**

27. Long-term loans (continued)

- (viii) This loan commenced on December 31, 2011 and has a moratorium of five months and is repayable in six quarterly payments of \$7,142,858 and one final payment of \$7,142,852. The last payment is due on December 31, 2013. Interest is payable at 10% per annum.
- (ix) The loan commenced on March 28, 2012 and has a moratorium of five months and is repayable in three quarterly payments of \$9,566,667. The last payment is due on March 31, 2014. Interest is payable at 10% per annum.
- (x) The subsidiary issued two unsecured bonds, Series A and B, amounting to \$70 million to a related party. Series A is for \$40 million, issued on April 30, 2004, bears interest at 3% (2012: 3%) per annum and is for a period of 10 years. Series B is for \$30 million, was issued on April 30, 2004, and bears interest at 4.8% (2012: 4.8%) per annum. Repayment of the principal is fixed at maturity of the bonds, subject to call options, exercisable by the bondholders after giving 180 days written notice. Interest payments are due quarterly.
- (xi) The purpose of this loan is for on-lending to small and medium enterprises and commenced on September 30, 2007. An extension of the expiry date was granted to April 30, 2015. The loan is disbursed based on requests for on-lending and is secured by promissory notes duly executed by a subsidiary on the request of each new loan. Interest is payable at a rate of 4% per annum. Additional loans were issued during the financial year ended March 31, 2011, with a six month moratorium on principal and interest and are repayable in quarterly instalments with varying terms after the disbursement, within the expiry period, depending on the terms relating to the on-lending of the funds.
- (xii) This represents an interest-free shareholder's loan of \$2 million which has no fixed repayment terms, and a balance on another shareholder's loan which accrues interest at a rate of 5% per annum, due for repayment in October 2013.
- (xiii) Under the terms of the credit agreement, this loan was repayable in fourteen (14) equal instalments over four (4) years at an interest rate of 7.5% per annum. The loan was secured by a mortgage debenture, creating a charge on all the assets of a subsidiary. The loan was denominated in United States dollars and was repaid during the year.
- (xiv) The loan commenced on March 22, 2012 and has a moratorium of three months and is repayable in sixteen quarterly payments of \$12.5 million. The last payment is due on March 31, 2016. Interest is payable at 11% per annum.
- (xv) The purpose of this loan was for on-lending to small and micro enterprises and was secured by a promissory note, duly executed by the company on disbursement of each new loan, over its loan portfolio of an equivalent value. It commenced on December 9, 2009 and was repayable in quarterly installments over three years. Interest was payable at 9% per annum. The loan was repaid during the year.
- (xvi) The purpose of this loan is for on-lending to small and micro enterprises and is secured by a promissory note, duly executed by the company on disbursement of each new loan, over its loan portfolio of an equivalent value. It commenced on December 20, 2012 and is repayable in quarterly installments over three years. The last payment is due on December 31, 2015. Interest is payable at 9% per annum.
- (xvii) The loan commenced on December 11, 2012 and has a moratorium of three months and is repayable in nine quarterly payments of \$9,762,714. The last payment is due on February 28, 2015. Interest is payable at 10% per annum.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2013**

27. Long-term loans (continued)

(xviii) The loan commenced in February 2013 repayable in seven quarterly payments of \$4,724,862. The last payment is due on January 30, 2015. Interest is payable at 10% per annum.

28. Permanent capital fund

Regulation 7 of the Bank of Jamaica (Building Societies) Regulations, 1995 requires that every building society maintains a minimum subscribed capital of \$25 million. In view of the non-applicability of "subscribed capital" to a mutual society, and in accordance with an agreement with the Bank of Jamaica, pending passage of appropriate legislation, a "Permanent Capital Fund" aggregating \$5,740,000,000 (2012: \$5,740,000,000) has been established in lieu of subscribed capital [see note 45(a)].

29. Reserve fund

Regulation 13 of the Bank of Jamaica (Building Societies) Regulations, 1995 requires the Society to transfer at least 10% of its net surplus after income tax each year to the Reserve Fund until the amount at credit of the Reserve Fund is at least, equal to the amount on its Permanent Capital Fund (see note 28). As at March 31, 2013, the Society's Reserve Fund aggregated \$6,600,000,000 (2012: \$6,600,000,000) [see note 45(a)].

30. Contractual savings reserves

The Society operates a special savings and loan scheme for members. Under this scheme, the members, after meeting certain criteria, including saving a contracted sum at a fixed rate of 3% per annum, become eligible to apply for a mortgage loan at a fixed rate of 5% per annum. The reserve is established in anticipation of the shortfall in interest income in future years, from the provision of this facility. Management constantly monitors the adequacy of the reserve and makes appropriate adjustments, as necessary.

31. Other reserves

	Group		Society	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	\$'000	\$'000	\$'000	\$'000
Exchange equalisation reserve [see (a)]	218,520	193,349	-	-
Investment revaluation reserve [see (b)]	378,295	742,377	121,909	262,428
Credit loss reserve [see (c)]	<u>1,284,677</u>	<u>833,749</u>	<u>1,221,142</u>	<u>788,730</u>
	<u>1,881,492</u>	<u>1,769,475</u>	<u>1,343,051</u>	<u>1,051,158</u>

- (a) This represents foreign exchange adjustments arising on the translation of foreign subsidiaries' balances for consolidation purposes.
 (b) This represents unrealised gains on the revaluation of available-for-sale investments.
 (c) This is a non-distributable reserve representing general provision for loan losses (note 13).

32. Interest expense

	Group		Society	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	\$'000	\$'000	\$'000	\$'000
Shareholders' savings	1,803,137	1,716,886	1,633,882	1,549,287
Other	<u>1,180,876</u>	<u>1,088,705</u>	-	-
	<u>2,984,013</u>	<u>2,805,591</u>	<u>1,633,882</u>	<u>1,549,287</u>

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2013**

33. Other operating income

	Group		Society	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	\$'000	\$'000	\$'000	\$'000
Realised foreign exchange gain on trading	1,366,771	1,001,562	689,795	365,619
Management fees	-	-	184,700	189,905
Fee and commission income	1,762,474	1,861,363	536,161	677,687
Net underwriting insurance				
income before operating expenses	682,594	1,039,868	-	-
Dividends	46,719	38,137	396,451	394,737
Other	<u>866,532</u>	<u>596,511</u>	<u>438,380</u>	<u>200,891</u>
	<u>4,725,090</u>	<u>4,537,441</u>	<u>2,245,487</u>	<u>1,828,839</u>

34. Operating expenses

	Group		Society	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	\$'000	\$'000	\$'000	\$'000
Impairment losses	56,998	81,587	-	-
Administration, including employee				
costs (note 37)	8,929,463	8,299,702	6,128,963	5,333,832
Directors' fees	23,354	23,006	13,653	12,552
Directors' remuneration	45,885	39,721	45,885	39,721
Audit fees - current	77,482	66,176	19,000	18,400
- prior year	2,042	-	2,042	-
Depreciation and amortisation	467,405	483,896	306,435	327,178
Bad debts written-off for loans and				
other receivables	<u>205,242</u>	<u>256,458</u>	<u>72,825</u>	<u>57,824</u>
	<u>9,807,871</u>	<u>9,250,546</u>	<u>6,588,803</u>	<u>5,789,507</u>

35. Loss arising from National and Private Debt Exchanges

The group voluntarily participated in Government of Jamaica ("GOJ") National and Private Debt Exchanges in February 2013. The acceptance of the offer resulted in the group exchanging local debt instruments of J\$26,421,000,000 and US\$40,530,000 for the Group and J\$14,562,000 and US\$19,860,000 for the Society. The exchange resulted in a one-off loss of \$829,149,000 for the group and \$753,796,000 for the Society.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) March 31, 2013

36. Taxation

- (a) Taxation is based on the net surplus for the year, as adjusted for income tax purposes, and is made up as follows:

	<u>Group</u>		<u>Society</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	\$'000	\$'000	\$'000	\$'000
(i) Current tax expense:				
Income tax on the Society	548,678	500,966	548,678	500,966
Taxation on subsidiaries	350,891	410,467	-	-
Adjustment in respect of prior year	(616)	(3,696)	(2,562)	-
	898,953	907,737	546,116	500,966
(ii) Deferred taxation:				
Origination and reversal of temporary differences (note 19)	(235,396)	(13,844)	(163,498)	8,069
Total taxation in statement of revenue and expenses	<u>663,557</u>	<u>893,893</u>	<u>382,618</u>	<u>509,035</u>

- (b) Reconciliation of effective tax rate:

Taxation is computed at rates of 30% for the Society and two of its subsidiaries, and 33⅓% and 25% for local subsidiaries. The effective tax rate for 2013 was 41.73% (2012: 30.14%) of \$1,590,284,000 (2012: \$2,965,351,000) pre-tax surplus for the Group and 55.00% (2012: 26.70%) of \$695,684,000 (2012: \$1,906,476,000) for the Society. The actual charge differs from the "expected" tax charge for the year as follows:

	<u>Group</u>		<u>Society</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	\$'000	\$'000	\$'000	\$'000
Surplus before taxation	1,590,284	2,965,351	695,684	1,906,476
Computed "expected" tax expense at 33⅓%	410,105	492,310	-	-
Computed "expected" tax expense at 30%	208,705	571,943	208,705	571,943
Computed "expected" tax expense at 25%	11,507	-	-	-
Computed "expected" tax expense at 15%	1,012	-	-	-
	631,329	1,064,253	208,705	571,943
Difference between surplus for financial statements, and tax reporting purposes on -				
Depreciation charge and capital allowances	(28,997)	(11,423)	(18,890)	(15,113)
Gain on disposal of property, plant and equipment	(3,742)	(2,600)	(3,742)	(2,600)
Unfranked and exempt income	(126,026)	(140,766)	(125,283)	(136,659)
Gain on disposal of investments	174,761	(30,761)	185,794	(4,416)
Prior year over provision	(616)	(3,696)	(2,562)	-
Disallowed expenses	152,927	100,906	138,596	95,880
Other	(136,079)	(82,020)	-	-
Actual tax expense	<u>663,557</u>	<u>893,893</u>	<u>382,618</u>	<u>509,035</u>

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued)

March 31, 2013

36. Taxation (continued)

- (c) As at March 31, 2013, taxation losses of local subsidiaries available for relief against future taxable profits of those subsidiaries, subject to the agreement of the Commissioner General, Tax Administration Jamaica, aggregated approximately \$38,465,000 (2012: \$35,931,000). Taxation losses available to overseas subsidiaries, for relief against their future taxable profits, amounted to approximately \$138,734,000 (2012: \$205,874,000).
- (d) At March 31, 2013, a deferred tax liability of approximately \$1,487,063,000 (2012: \$1,609,169,000), relating to investment in certain subsidiaries and associated companies has not been recognised, as the Society controls, or significantly controls, whether any liability will be incurred and management is satisfied that it will not be incurred in the foreseeable future.
- (e) During the year, the corporate income tax rate for non-regulated subsidiaries was reduced from 33 ⅓ to 25%.

37. Employee costs

The aggregate staff costs were as follows:

	Group		Society	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	\$'000	\$'000	\$'000	\$'000
Salaries	3,203,961	2,989,080	2,004,051	1,853,378
Pension, group life and health contributions	254,123	230,497	185,662	162,293
Statutory contributions	414,612	388,905	244,534	225,091
Other	<u>972,760</u>	<u>976,570</u>	<u>676,057</u>	<u>689,724</u>
	<u>4,845,456</u>	<u>4,585,052</u>	<u>3,110,304</u>	<u>2,930,486</u>

38. Related party balances and transactions

Identity of related parties:

- (a) The Society has a related party relationship with its subsidiaries, associates, pension scheme, directors and other key management personnel.
- (b) The statement of financial position includes balances arising in the ordinary course of business, with related parties as follows:

	Group		Society	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	\$'000	\$'000	\$'000	\$'000
Loans				
Directors	12,403	16,914	8,391	16,914
Other key management personnel	127,372	125,123	120,307	125,123
Other related parties	571	-	-	-
Shareholders' savings				
Directors	110,373	119,057	20,552	39,774
Subsidiaries	-	-	663,011	833,436
Other key management personnel	36,123	40,504	36,123	40,504
Other related parties	4,561	4,893	4,561	4,893
Securities sold under repurchase agreements				
Directors	211,461	215,225	-	-
Other related parties	655,656	726,812	-	-
Other assets				
Subsidiaries	-	-	108,639	89,956
Long term loans				
Subsidiaries	-	-	24,217	10,934
Other related parties	<u>59,001</u>	<u>59,001</u>	<u>2,520</u>	<u>2,520</u>

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) March 31, 2013

38. Related party balances and transactions (continued)

- (c) The surplus before taxation includes income earned from, and expenses incurred in, transactions with related parties in the ordinary course of business, as follows:

	<u>Group</u>		<u>Society</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	\$'000	\$'000	\$'000	\$'000
Subsidiaries				
Dividends	-	-	(353,071)	(365,080)
Interest income	-	-	(16,650)	(16,584)
Management fees	-	-	(184,700)	(189,905)
Other income	-	-	(16,305)	(16,268)
Commission	-	-	(31,805)	(32,536)
Maintenance expenses	-	-	38,293	13,088
Management fees	-	-	39,133	25,145
Computer development expenses	-	-	95,780	87,826
Marketing	-	-	110,832	64,543
Commission	-	-	149,777	139,056
Insurance	-	-	57,877	32,914
Other expenses	-	-	18,039	18,984
Other related parties				
Interest expense	25,167	43,069	-	-
Contribution (to Foundations)	<u>70,731</u>	<u>76,711</u>	<u>34,160</u>	<u>53,086</u>

- (d) Compensation paid to key management personnel is as follows:

	<u>Group</u>		<u>Society</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	\$'000	\$'000	\$'000	\$'000
Salaries	316,017	269,870	219,313	176,564
Post-employment benefits	<u>8,347</u>	<u>7,975</u>	<u>6,859</u>	<u>6,544</u>
	<u>324,364</u>	<u>277,845</u>	<u>226,172</u>	<u>183,108</u>

39. Financial risk management

- (a) Overview

The Group has exposure to the following financial risks from its operations and the use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Society's management of capital.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2013**

39. Financial risk management (continued)

(a) Introduction and overview (cont'd)

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's financial risk management framework. The Board has established the Finance and Investment Committee, the Risk Management Unit, Group Compliance Department and Audit Committee, which are responsible for developing and monitoring risk management policies in their specified areas. These committees have both executive and non-executive members and report to the Board of Directors on their activities.

The Group's risk management policies are established to identify, assess and measure the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The focus of financial risk management for the Group is ensuring that the Group has adequate economic capital and that the use of and proceeds from its financial assets are sufficient to fund the obligations arising from its deposit base and other contractual liabilities. The goal of the investment management process is to, within the policy guidelines, optimise the after-tax investment income and total return by investing in a diversified portfolio of securities, whilst ensuring that the assets and liabilities are managed on a cash flow and duration basis.

A key aspect in the management of the Group's financial risk is through matching the timing of cash flows from assets and liabilities. The Group actively manages its investments using an approach that balances quality, diversification, liquidity and return. The portfolio is reviewed on a periodic basis, as are investment guidelines and limits with the objective of ensuring that the Group can always meet its obligations without undue cost and in accordance with the Group's internal and regulatory capital requirements.

The Audit Committee is responsible for monitoring compliance with the Group's risk management policies and procedures. The Audit Committee is assisted by the Internal Audit Department which undertakes cyclical reviews of risk management controls and procedures, the results of which are reported to the heads of the Compliance Department and the Risk Management Unit, Audit Committee and the Board of Directors.

(b) Credit risk:

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to borrowers and investment securities. There has been no significant change to the Group's exposure to credit risk or the manner in which it measures and manages the risk during the year.

The Group manages credit risk associated with loans by evaluating borrowers' ability to repay loans, ensuring that:

- (i) all loans are properly collateralised and the securities insured;

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2013**

39. Financial risk management (continued)

(b) Credit risk (cont'd):

The Group manages credit risk associated with loans by evaluating borrowers' ability to repay loans, ensuring that (cont'd):

- (ii) loan loss provisioning is in keeping with BOJ Regulations;
- (iii) loans are not concentrated in one individual, company or group; and
- (iv) strong underwriting and credit administration systems are in place.

Exposure to credit risk attaching to liquid funds is monitored through credit rating and lending limits, which are regularly reviewed. Other than exposure on Government of Jamaica securities, there is no significant concentration of liquid funds and amounts are held in financial institutions which management regards as strong.

Credits to borrowers

Credit facilities to members and other borrowers primarily comprise mortgage loans. The management of credit risk in respect of credits to borrowers is executed by a Credit Committee which evaluates the decision for the appropriate advance and formally approves those commitments. The Board of Directors has the responsibility for the oversight of the Group's credit risk and the development of credit policies.

Loans with renegotiated terms:

Loans with renegotiated terms are loans that have been restructured due to deterioration in the member's financial position and where the Group has made concessions that it would not otherwise consider. Once the loan is restructured, it remains in this category irrespective of satisfactory performance after restructuring. At March 31, 2013, the outstanding principal balances on loans that were restructured amounted to \$4,314,643 (2012: \$5,371,733) for the Group and \$2,869,116 (2012: \$3,153,991) for the Society.

Impaired credits to borrowers

Impaired credits to members and other borrowers are credits for which management determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the credit.

Past due but unimpaired credits to borrowers

These are credits where contractual interest or principal payments are past due but they are not considered impaired based on the quality and value of security available or the stage of collection of amounts owed by debtors.

Allowances for impairment

The Group has established an allowance for impairment losses that represents its estimate of incurred losses on loans. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established on a portfolio basis, based on requirements of the Bank of Jamaica (Building Societies) Regulations, 1995.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2013**

39. Financial risk management (continued)

(b) Credit risk (continued):

Write-off policy

The Group writes off credits to borrowers (and any related allowances for impairment losses) when it determines that the balances are 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. Credits to borrowers for write-off must be submitted to the Board of Directors for approval.

Concentration by class and geographical area

The Group limits its exposure to credit risk by investing only with counterparties that have high credit ratings and in Government of Jamaica securities. Therefore, management does not expect any counterparty to fail to meet its obligations.

The Group has documented investment policies in place, which guide in managing credit risk on investment securities and resale agreements. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties based on their credit ratings and limits set.

The Group's and Society's significant concentration of credit exposure, as at the reporting date, by geographic area (based on the entity's country of ownership) were as follows:

	Group		Society	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Jamaica	66,589,159	69,891,882	36,798,998	40,767,518
United States of America	2,519,612	1,982,649	2,069,000	1,510,429
United Kingdom	12,518,151	6,346,179	12,286,053	6,123,674
Canada	1,194,847	1,096,364	1,161,349	1,067,159
Ghana	2,915	2,540	-	-
Bahamas	4,828	-	4,828	-
Cayman Islands	<u>741,480</u>	<u>507,896</u>	<u>-</u>	<u>-</u>
	<u>83,570,992</u>	<u>79,827,510</u>	<u>52,320,228</u>	<u>49,468,780</u>

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2013**

39. Financial risk management (continued)

(b) Credit risk (continued):

Credit quality of loans

The credit quality of the Group's and Society's loans are summarised as follows:

	Group	
	<u>2013</u> \$'000	<u>2012</u> \$'000
Neither past due nor impaired	44,550,564	39,792,675
Past due but not impaired:		
30 to 60 days	3,398,989	3,094,023
60 to 90 days	1,719,873	1,643,697
Individually impaired:		
90-180 days	1,373,038	2,014,102
180-365 days	714,978	543,944
12-18 months	351,957	269,350
18 months and over	976,690	656,848
Less allowance for losses (note 13)	(1,344,434)	(1,134,051)
	<u>51,741,655</u>	<u>46,880,588</u>

	Society	
	<u>2013</u> \$'000	<u>2012</u> \$'000
Neither past due nor impaired	39,958,475	35,990,572
Past due but not impaired:		
30 to 60 days	2,966,236	2,580,366
60 to 90 days	1,432,817	1,510,060
Individually impaired:		
90-180 days	1,102,465	1,051,248
180-365 days	418,015	491,149
12-18 months	223,173	187,269
18 months and over	786,687	581,360
Less allowance for losses (note 13)	(935,684)	(776,639)
	<u>45,952,184</u>	<u>41,615,385</u>

Exposure to credit risk

Credit risk exposure is the amount of loss that the Group and the Society would suffer if all counterparties to which the Group and the Society are exposed were to default at once. This is represented substantially by the carrying amount of financial assets shown on the statement of financial position, without taking account of the value of any collateral held.

There are no off-balance-sheet assets and the maximum exposure to credit risk is represented by the amount of financial assets in the statement of financial position.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) March 31, 2013

39. Financial risk management (continued)

(b) Credit risk (cont'd):

Credit quality of loans (cont'd)

Collateral and other credit enhancements held against financial assets

The Group holds collateral against credits to borrowers primarily in the form of mortgage interests over property. Estimates of fair values are based on value of collateral assessed at the time of borrowing and are generally not updated except when credits to borrowers are individually assessed as impaired. Borrowers of a subsidiary may use collateral such as an insurance policy, property, motor vehicle, personal or corporate guarantees to secure loans.

Collateral generally is not held over balances with banks or brokers/dealers, except when securities are held under resale agreements. Collateral is generally not held against investment securities.

The fair value of collateral held against loans to borrowers and others is shown below:

	The Group				The Society			
	Loans and advances		Resale agreements		Loans and advances		Resale agreements	
	2013	2012	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Against neither past due nor impaired financial assets:								
Property	121,609,488	106,937,189	-	-	115,539,105	102,585,782	-	-
Debt securities	150,000	182,058	24,222,380	23,161,745	-	-	11,482,794	11,610,473
Liens on motor vehicles	260,107	182,074	-	-	162,352	117,990	-	-
Hypothecation of deposits	1,285,527	1,134,794	-	-	1,189,610	1,017,505	-	-
Subtotal	123,305,122	108,436,115	24,222,380	23,161,745	116,891,067	103,721,277	11,482,794	11,610,473
Against past due but not impaired financial assets:								
Property	40,281,746	37,396,610	-	-	39,311,473	36,426,336	-	-
Household asset	33,848	33,848	-	-	-	-	-	-
Liens on motor vehicles	37,912	37,912	-	-	-	-	-	-
Subtotal	40,353,506	37,468,370	-	-	39,311,473	36,426,336	-	-
Against past due and impaired financial assets:								
Property	7,196,265	7,286,117	-	-	5,612,457	5,702,319	-	-
Household assets	65,369	65,369	-	-	-	-	-	-
Liens on motor vehicles	11,660	11,660	-	-	-	-	-	-
Subtotal	7,273,294	7,363,146	-	-	5,612,457	5,702,319	-	-
Grand total	170,931,922	153,267,631	24,222,380	23,161,745	161,814,997	145,849,932	11,482,794	11,610,473

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) March 31, 2013

39. Financial risk management (continued)

(c) Liquidity risk:

Liquidity risk, also referred to as funding risk, is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value.

Management of liquidity risk

The key measurement used for assessing liquidity risk is the ratio of liquid assets (as defined) to total liabilities. The liquidity ratios at the reporting date for the Society are as follows:

	Requirement		Actual	
	2013	2012	2013	2012
	%	%	%	%
Jamaica Dollar	5	5	10	20
United States of America Dollar	5	5	14	10
Canadian Dollar	5	5	7	5
Pound Sterling	<u>5</u>	<u>5</u>	<u>82</u>	<u>40</u>

An analysis of the undiscounted cash flows of the Group's and the Society's financial liabilities and unrecognised loan commitments on the basis of their earliest possible contractual maturity is presented below. The analysis provided is by estimating timing of the amounts recognised in the statement of financial position.

Group							
2013							
Contractual undiscounted cash flows							
	Carrying amount \$'000	Total cash outflow \$'000	Less than 3 months \$'000	3 to 12 months \$'000	1-2 years \$'000	2-5 years \$'000	5 - 10 years \$'000
Savings fund	79,641,699	79,873,342	74,145,783	5,201,930	525,629	-	-
Due to specialised institutions	11,021,016	20,591,210	934	1,937	25,775	91,614	20,470,949
Bank overdraft	28,285	28,561	28,561	-	-	-	-
Other payables	2,750,784	2,750,784	2,750,784	-	-	-	-
Securities sold under resale agreements	19,323,142	19,430,410	15,894,385	2,715,437	820,588	-	-
Certificates of participation	1,831,670	1,837,500	1,837,500	-	-	-	-
Long-term loans	<u>588,860</u>	<u>634,912</u>	<u>73,555</u>	<u>253,787</u>	<u>217,609</u>	<u>89,960</u>	-
	115,185,456	125,146,719	94,731,502	8,173,091	1,589,601	181,574	20,470,949
Unrecognised loan commitments	-	2,344,358	2,344,358	-	-	-	-
Insurance contracts liabilities	<u>3,837,088</u>	<u>3,837,088</u>	<u>653,135</u>	<u>1,959,406</u>	<u>574,145</u>	<u>492,788</u>	<u>157,614</u>
	<u>119,022,544</u>	<u>131,328,165</u>	<u>97,728,995</u>	<u>10,132,497</u>	<u>2,163,746</u>	<u>674,362</u>	<u>20,628,563</u>
Group							
2012							
Contractual undiscounted cash flows							
	Carrying Amount \$'000	Total cash outflow \$'000	Less than 3 months \$'000	3 to 12 months \$'000	1-2 years \$'000	2-5 years \$'000	5-10 years \$'000
Savings fund	73,375,497	73,762,639	69,205,969	4,031,521	525,149	-	-
Due to specialised institutions	9,233,808	17,376,859	969	3,479	23,171	91,614	17,257,626
Other payables	2,497,809	2,497,809	2,420,745	77,064	-	-	-
Securities sold under repurchase agreements	15,490,426	16,578,741	12,547,071	2,442,521	1,589,149	-	-
Certificates of participation	4,997,999	4,997,999	4,997,999	-	-	-	-
Long-term loans	<u>700,092</u>	<u>778,707</u>	<u>69,901</u>	<u>209,468</u>	<u>431,642</u>	<u>67,696</u>	-
	106,295,631	115,992,754	89,242,654	6,764,053	2,569,111	159,310	17,257,626
Unrecognised loan commitments	-	1,831,007	1,831,007	-	-	-	-
Insurance contract liabilities	<u>3,789,817</u>	<u>2,049,657</u>	<u>281,828</u>	<u>845,483</u>	<u>717,380</u>	<u>163,973</u>	<u>40,993</u>
	<u>110,085,448</u>	<u>119,873,418</u>	<u>91,355,489</u>	<u>7,609,536</u>	<u>3,286,491</u>	<u>323,283</u>	<u>17,257,626</u>

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) March 31, 2013

39. Financial risk management (continued)

(c) Liquidity risk (continued):

Society							
2013							
Contractual undiscounted cash flows							
Carrying Amount \$'000	Total cash outflow \$'000	Less than 3 months \$'000	3 to 12 months \$'000	1-2 years \$'000	2-5 years \$'000	5-10 years \$'000	More than 10 years \$'000
Savings fund	74,820,693	75,040,879	70,528,612	4,085,716	426,551	-	-
Due to specialised institutions	11,019,841	20,595,611	286	1,376	49,200	73,800	20,470,949
Other payables	943,070	943,070	943,070	-	-	-	-
Long-term loans	2,520	2,527	527	2,000	-	-	-
	86,786,124	96,582,087	71,472,495	4,089,092	475,751	73,800	20,470,949
Unrecognised loan commitments	-	2,344,358	2,344,358	-	-	-	-
	<u>86,786,124</u>	<u>98,926,445</u>	<u>73,816,853</u>	<u>4,089,092</u>	<u>475,751</u>	<u>73,800</u>	<u>20,470,949</u>

Society							
2012							
Contractual undiscounted cash flows							
Carrying amount \$'000	Total cash outflow \$'000	Less than 3 months \$'000	3 to 12 months \$'000	1-2 years \$'000	2-5 years \$'000	5-10 years \$'000	
Savings fund	69,406,377	69,584,577	66,334,573	3,013,275	236,729	-	-
Due to specialised institutions	9,230,133	17,373,184	344	1,604	21,996	91,614	17,257,626
Other payables	870,569	870,569	870,569	-	-	-	-
Long-term loans	2,520	2,527	527	-	2,000	-	-
	79,509,599	87,830,857	67,206,013	3,014,879	260,725	91,614	17,257,626
Unrecognised loan commitments	-	1,830,974	1,830,974	-	-	-	-
	<u>79,509,599</u>	<u>89,661,831</u>	<u>69,036,987</u>	<u>3,014,879</u>	<u>260,725</u>	<u>91,614</u>	<u>17,257,626</u>

(d) Market risk:

Market risk is the risk that changes in market prices, such as interest rate, foreign exchange rates and equity prices will affect the value of the Group's assets, the amount of its liabilities and/or the Group's income. Market risk arises in the Group due to fluctuations in the value of liabilities and the value of investments held. The Group is exposed to market risk on all of its financial assets.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The nature of the Group's exposures to market risks and its objectives, policies and processes for measuring and managing market risk have not changed significantly from the prior period.

Management of market risk

The Asset and Liability Committee manages market risks in accordance with its Investment Policy. The Committee through the Board Finance and Investment Committee reports regularly to the Board of Directors on its activities. For each of the major components of market risk the Group has policies and procedures in place which detail how each risk should be monitored and managed. The management of each of these major components of risk and the exposure of the Group at the reporting date to each major risk are addressed below.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) March 31, 2013

39. Financial risk management (continued)

(d) Market risk (continued):

Management of market risk (continued)

(i) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group manages this risk by constantly re-evaluating the yield, duration and modified duration on given financial instruments.

The interest rate risk analysis shows significant excess of short-term interest-bearing liabilities over short-term interest-earning assets. This is a direct consequence of the nature of the Group's and the Society's business, which involves granting long-term loans (up to 30 years) funded by savings which are withdrawable on demand or after short notice. The Society may, provided that one month's notice is given, change the interest rates on its mortgages. In addition, mortgages may be called after six months notice. The savings fund has been stable and is expected to remain so.

The Group manages the risk by monitoring its savings fund, taking steps to ensure its stability, and by adjusting interest rates to the extent practicable within the overall policy of encouraging long-term savings and facilitating home ownership.

The following table summarises the carrying amounts of recognised assets, liabilities and equity to arrive at the Group's and the Society's interest rate gap based on the earlier of contractual repricing or maturity dates. There were no off-balance sheet financial instruments giving rise to interest rate risk. This interest rate gap is normal within building societies.

Group							
2013							
	Immediately rate sensitive \$'000	Within 3 months \$'000	Three to 12 months \$'000	Over 1 year \$'000	Non-rate sensitive \$'000	Total \$'000	Weighted average interest rate %
Assets							
Cash and cash equivalents	1,101,523	1,126,940	-	-	1,860,789	4,089,252	0.37
Securities purchased under resale agreements	-	18,473,929	3,019,951	-	177,603	21,671,483	4.87
Investments	-	18,750,629	6,807,077	30,926,571	1,325,980	57,810,257	6.63
Loans	-	51,497,671	-	-	243,984	51,741,655	11.55
Total financial assets	1,101,523	89,849,169	9,827,028	30,926,571	3,608,356	135,312,647	
Liabilities							
Savings fund	59,143,040	14,748,289	5,080,226	415,690	254,454	79,641,699	3.19
Due to specialised institutions	-	11,021,016	-	-	-	11,021,016	4.39
Bank overdraft	28,285	-	-	-	-	28,285	11.69
Securities sold under repurchase agreements	-	15,900,215	2,423,736	820,587	178,604	19,323,142	4.75
Certificates of participation	-	1,831,670	-	-	-	1,831,670	4.75
Other payables	-	-	-	-	2,750,784	2,750,784	
Long-term loans	-	72,207	240,320	274,333	2,000	588,860	7.47
Total financial liabilities	59,171,325	43,573,397	7,744,282	1,510,610	3,185,842	115,185,456	
On-statement of financial position gap, being total interest rate sensitivity gap	(58,069,802)	46,275,772	2,082,746	29,415,961	422,514	20,127,191	
Cumulative gap	(58,069,802)	(11,794,030)	(9,711,284)	19,704,677	20,127,191	-	

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2013**

39. Financial risk management (continued)

(d) Market risk (continued):

Management of market risk (continued)

(i) Interest rate risk (continued):

	Group						Weighted average interest rate %
	2012						
	Immediately rate sensitive \$'000	Within 3 months \$'000	Three to 12 months \$'000	Over 1 year \$'000	Non-rate sensitive \$'000	Total \$'000	
Assets							
Cash and cash equivalents	576,084	592,438	-	-	2,856,872	4,025,394	0.56
Securities purchased under resale agreements	-	14,242,325	6,155,080	-	151,295	20,548,700	4.50
Investments	702,886	21,539,398	3,796,131	28,655,371	559,630	55,253,416	6.60
Loans	-	46,656,570	-	-	224,018	46,880,588	11.76
Total financial assets	1,278,970	83,030,731	9,951,211	28,655,371	3,791,815	126,708,098	
Liabilities							
Savings fund	54,546,190	14,384,396	3,939,918	229,611	275,382	73,375,497	3.13
Due to specialised institutions	-	9,233,808	-	-	-	9,233,808	4.45
Securities sold under repurchase agreements	-	11,447,123	2,364,604	1,549,963	128,736	15,490,426	4.77
Certificates of participation	-	4,997,999	-	-	-	4,997,999	
Other payables	-	-	77,064	-	2,420,745	2,497,809	
Long-term loans	-	-	-	698,092	2,000	700,092	7.26
Total financial liabilities	54,546,190	40,063,326	6,381,586	2,477,666	2,826,863	106,295,631	
On-statement of financial position gap, being total interest rate sensitivity gap	(53,267,220)	42,967,405	3,569,625	26,177,705	964,952	20,412,467	
Cumulative gap	(53,267,220)	(10,299,815)	(6,730,190)	19,447,515	20,412,467	-	

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) March 31, 2013

39. Financial risk management (continued)

(d) Market risk (continued):

Management of market risk (continued)

(i) Interest rate risk (continued):

	Society						
	2013						
	Immediately rate sensitive	Within 3 months	Three to 12 months	Over 1 year	Non-rate sensitive	Total	Weighted average interest rate
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%
Assets							
Cash and cash equivalents	932,901	5,896	-	-	1,422,694	2,361,491	0.63
Securities purchased under resale agreements	-	8,475,437	1,929,325	-	41,591	10,446,353	4.53
Investments	-	8,599,999	6,295,112	23,514,786	1,102,487	39,512,384	5.80
Loans	-	45,708,200	-	-	243,984	45,952,184	10.90
Total financial assets	932,901	62,789,532	8,224,437	23,514,786	2,810,756	98,272,412	
Liabilities							
Savings fund	56,314,653	13,900,096	3,989,957	413,325	202,662	74,820,693	3.20
Due to specialised financial institutions	-	11,019,841	-	-	-	11,019,841	4.39
Other payables	-	-	-	-	943,070	943,070	
Long-term loans	-	-	-	520	2,000	2,520	5.0
Total financial liabilities	56,314,653	24,919,937	3,989,957	413,845	1,147,732	86,786,124	
On-balance statement of financial position gap, being total interest rate sensitivity gap							
	(55,381,752)	37,869,595	4,234,480	23,100,941	1,663,024	11,486,288	
Cumulative gap	(55,381,752)	(17,512,157)	(13,277,677)	9,823,264	11,486,288	-	

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2013**

39. Financial risk management (continued)

(d) Market risk (continued):

Management of market risk (continued)

(i) Interest rate risk (continued):

	Society						
	2012						
	Immediately rate sensitive \$'000	Within 3 months \$'000	Three to 12 months \$'000	Over 1 year \$'000	Non-rate sensitive \$'000	Total \$'000	Weighted average interest rate %
Assets							
Cash and cash equivalents	581,348	51,265	-	-	2,216,298	2,848,911	0.82
Securities purchased under resale agreements	-	6,046,705	4,258,941	-	80,984	10,386,630	4.38
Investments	-	10,718,096	2,557,425	21,221,248	1,736,470	36,233,239	6.00
Loans	-	41,394,917	-	-	220,468	41,615,385	11.20
Total financial assets	581,348	58,210,983	6,816,366	21,221,248	4,254,220	91,084,165	
Liabilities							
Savings fund	52,763,578	13,240,740	2,944,809	229,611	227,639	69,406,377	3.10
Due to specialised financial institutions	-	9,230,133	-	-	-	9,230,133	4.45
Other payables	-	-	-	-	870,569	870,569	
Long-term loans	-	-	-	520	2,000	2,520	5.00
Total financial liabilities	52,763,578	22,470,873	2,944,809	230,131	1,100,208	79,509,599	
On-balance statement of financial position gap, being total interest rate sensitivity gap	(52,182,230)	35,740,110	3,871,557	20,991,117	3,154,012	11,574,566	
Cumulative gap	(52,182,230)	(16,442,120)	(12,570,563)	8,420,554	11,574,566	-	

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) March 31, 2013

39. Financial risk management (continued)

(d) Market risk (continued):

Management of market risk (continued)

(i) Interest rate risk (continued):

The sensitivity of the group's financial assets and liabilities to interest rate risk is monitored using the following scenarios:

	Increase in interest rate	Decrease in interest rate
J\$ denominated instruments	250 basis points	100 basis points
US\$ denominated instruments	200 basis points	50 basis points

Fair value sensitivity analysis:

An increase/decrease, using the above scenarios, would adjust reserves and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Group			
	2013		2012	
	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Other comprehensive income	(1,317,325)	491,178	(436,756)	414,450
Surplus	(<u>20,257</u>)	(<u>5,786</u>)	(<u>8,352</u>)	<u>28,304</u>

	Society			
	2013		2012	
	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Other comprehensive income	(815,991)	320,456	(253,450)	249,386
Surplus	(<u>20,257</u>)	(<u>5,786</u>)	(<u>8,352</u>)	<u>28,304</u>

Cash flow sensitivity analysis for variable rate instruments:

An increase/decrease using the above scenarios would adjust reserves and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Group		Society	
	<u>Effect on surplus</u>		<u>Effect on surplus</u>	
	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
March 31, 2013				
Variable rate instruments	<u>538,011</u>	(<u>212,260</u>)	<u>328,077</u>	(<u>128,220</u>)
	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
March 31, 2012				
Variable rate instruments	<u>182,698</u>	(<u>182,698</u>)	<u>113,428</u>	(<u>113,428</u>)

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued)
March 31, 2013

39. Financial risk management (continued)

(d) Market risk (continued):

Management of market risk (continued)

(ii) Equity price risk

Equity price risk arises from available-for-sale equity securities held by the Group as part of its investment portfolio. Management monitors the mix of debt and equity securities in its investment portfolio based on market expectations. The primary goal of the Group's investment strategy is to maximise risk-adjusted investment returns.

A 10% (2012: 10%) increase or decrease in the market price at the reporting date would result in an increase or an equal decrease, respectively, in reserves for the Group of \$106,456,000 (2012: \$93,948,000) and \$70,323,000 (2012: \$66,447,000) for the Society.

(iii) Foreign currency risk:

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group incurs foreign currency risk on transactions that are denominated in a currency other than the Jamaica dollar. The main currencies giving rise to this risk are United States dollars, Canadian dollars, Cayman dollars and Pounds sterling.

The Group ensures that the net exposure is kept to an acceptable level by daily monitoring their cost of funds against market price so as to ensure that a consistent positive spread is maintained between the buying and selling price of the traded currencies. Foreign currency liabilities are backed by foreign currency assets resulting in an overall strong net assets or long foreign currency positions at all times.

Net current foreign currency assets/(liabilities) were as follows:

	Group		Society	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	\$'000	\$'000	\$'000	\$'000
United States dollars	35,532	81,201	12,211	70,166
Canadian dollars	1,097	1,448	282	724
Pounds sterling	3,009	(35,830)	1,693	(37,227)
Euro	227	1,743	227	1,743
Cayman dollars	<u>13,799</u>	<u>19,592</u>	<u>13,173</u>	<u>12,239</u>

The Bank of Jamaica's weighted average exchange rates ruling at the year-end is shown at note 4 (d)(i).

Sensitivity analysis:

A 10% (2012: 1%) weakening of the Jamaica dollar against the various currencies at March 31 would have increased operating surplus by the amounts shown. A 1% (2012: 1%) strengthening of the Jamaica dollar against these currencies at March 31 would have had the opposite effect as shown. The analysis assumes that all other variables, in particular, interest rates, remain constant. The analysis was done on the same basis for 2012.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued)
March 31, 2013

39. Financial risk management (continued)

(d) Market risk (continued):

Management of market risk (continued)

(iii) Foreign currency risk (continued):

Sensitivity analysis (continued):

	Group			Society		
	<u>2013</u>	<u>2012</u>		<u>2013</u>	<u>2012</u>	
	<u>\$'000</u>	<u>\$'000</u>		<u>\$'000</u>	<u>\$'000</u>	
	<u>10%</u>	<u>1%</u>	<u>1%</u>	<u>10%</u>	<u>1%</u>	<u>1%</u>
United States dollar	348,004	(34,800)	70,589	119,595	(11,959)	60,995
Canadian dollars	10,589	(1,059)	1,244	2,722	(272)	622
Pounds sterling	44,551	(4,455)	(49,345)	25,063	(2,506)	(51,270)
Euro	2,839	(284)	2,013	2,839	(284)	2,013
Cayman dollars	<u>162,014</u>	<u>(16,201)</u>	<u>20,447</u>	<u>154,664</u>	<u>(15,466)</u>	<u>12,772</u>

(e) Operational risk:

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirement for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirement for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial actions;
- development of contingency plans;
- training and professional development;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2013**

39. Financial risk management (continued)

(e) Operational risk (continued):

Compliance with the Group's standards is supported by a programme of periodic reviews undertaken by Internal Audit, Group Compliance and Risk Management Unit. The results of audit reviews are discussed with the management of the business unit to which they relate and the recommendations and required actions agreed. Summaries of the internal audit reviews are submitted to the Audit committee, and to the Board of Directors.

(f) Capital management:

Regulatory capital

The Society

The Group's main regulator is the Bank of Jamaica, which monitors the capital requirements for the Society and the Group as a whole. The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the Society and its subsidiaries. This is supported by the annual Group Internal Capital Adequacy Assessment Process which seeks to ensure that all subsidiaries, on a stand-alone and on a Group basis are adequately capitalised.

In implementing current capital requirements, the Bank of Jamaica requires the Society to maintain a prescribed ratio of total capital to total risk weighted assets of 10%. The total regulatory capital expressed as a percentage of the total risk weighted assets at March 31, 2013 was 19.32% (2012: 18%).

General Insurance Subsidiary

General insurers must maintain at least a minimum level of assets, capital and surplus to meet the liabilities of the company as required by its regulator, the Financial Services Commission (FSC). The FSC requires the ratio of available assets to required assets to be 200% under the terms of the Minimum Capital Test (MCT).

The MCT ratio attained by the company at December 31, 2012 was 318% (2011: 335%).

Life Insurance Subsidiary

The subsidiary's regulator is the Financial Services Commission (FSC) which monitors the capital requirements for the subsidiary. In implementing current capital requirements, the FSC requires the subsidiary to maintain a minimum capital requirement of \$150,000,000. The subsidiary is in compliance with this capital requirement.

Investment Management Subsidiary

The subsidiary's regulator is the Financial Services Commission (FSC), which monitors the company's regulatory capital position. The FSC's benchmark capital ratios and the ratios attained by the company for the current and prior year are shown in the table below.

<u>FSC Benchmark</u>		<u>2013</u>	<u>2012</u>
Capital ratios:	<u>Required</u>	<u>Attained</u>	
Total regulatory qualifying capital expressed as a percentage of total risk weighted assets	Minimum 14%	32.81%	43.64%
Total Tier 1 capital expressed as a percentage of total qualifying capital	Greater than 50%	98.10%	91.87%

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2013**

39. Financial risk management (continued)

(f) Capital management (continued):

Regulatory capital (continued)

Investment Management Subsidiary (continued)

The subsidiary is in compliance with externally imposed capital requirements. In June 2012, there was a revision in the risk weighting standard which resulted in the introduction of market and credit risk weightings for Jamaican dollar holdings.

Foreign Subsidiary

Another subsidiary is subject to regulatory capital requirements established by the Cayman Islands Monetary Authority (CIMA). Failure to meet minimum regulatory capital requirements can initiate certain actions by CIMA that, if undertaken, could have a direct material effect on the subsidiary's financial statements. Under capital adequacy guidelines used by CIMA, the subsidiary must meet specific capital guidelines that involve quantitative measures of its assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The subsidiary's regulatory capital amounts and classification are also subject to qualitative judgements by CIMA about components and risk weightings.

As at March 31, 2013 and 2012, the subsidiary's regulatory capital amount and its risk asset ratio, as well as CIMA's minimum requirements are presented in the following table:

	Actual	2013 minimum for regulatory capital and capital adequacy purposes	Actual	2012 minimum for regulatory capital and capital adequacy purposes
Regulatory capital	5,670,696	4,997,039	CI\$4,589,070	3,600,470
Risk asset ratio	13.62%	12%	15.30%	12%

The subsidiary was in compliance for the current and prior financial years.

40. Fair value of financial instruments

Fair value amounts represent estimates of the arm's-length consideration that would currently be agreed between knowledgeable, willing parties who are under no compulsion to act and are best evidenced by quoted market prices, if they exist. Where quoted market prices are not available, the fair values of these instruments have been determined using a generally accepted alternative method.

The fair values of cash and cash equivalents, securities purchased under resale agreements, securities sold under repurchase agreements and other payables are considered to approximate their carrying values due to their relatively short-term nature.

The fair value of investments not carried at fair value are disclosed in note 9.

The estimated fair value of loans is the principal receivable less any allowance for losses.

THE JAMAICA NATIONAL BUILDING SOCIETY**Notes to the financial statements (Continued)**
March 31, 2013**40. Fair value of financial instruments (continued)***Determination of fair value and fair value hierarchy*

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable.

These two types of inputs have created the following fair value hierarchy:

- Level 1 - Quoted prices in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available.

The Group considers relevant and observable market prices in its valuations where possible.

2013				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Group				
Available-for-sale financial assets	1,064,560	34,163,835	-	35,228,395
At fair value through profit/loss	<u>47,468</u>	<u>1,296,314</u>	<u>-</u>	<u>1,343,782</u>
	<u>1,112,028</u>	<u>35,460,149</u>	<u>-</u>	<u>36,572,177</u>
Society				
Available-for-sale financial assets	800,846	18,626,810	-	19,427,656
At fair value through profit/loss	<u>47,468</u>	<u>1,296,314</u>	<u>-</u>	<u>1,343,782</u>
	<u>848,314</u>	<u>19,923,124</u>	<u>-</u>	<u>20,771,438</u>
2012				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Group				
Available-for-sale financial assets	939,476	29,598,298	-	30,537,774
At fair value through profit/loss	<u>37,829</u>	<u>1,022,165</u>	<u>-</u>	<u>1,059,994</u>
	<u>977,305</u>	<u>30,620,463</u>	<u>-</u>	<u>31,597,768</u>
Society				
Available-for-sale financial assets	664,466	16,553,323	-	17,217,789
At fair value through profit/loss	<u>37,829</u>	<u>1,022,165</u>	<u>-</u>	<u>1,059,994</u>
	<u>702,295</u>	<u>17,575,488</u>	<u>-</u>	<u>18,277,783</u>

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2013**

41. Commitments

At March 31, 2013, the Group and the Society had:

- (a) Unexpired lease commitments payable as follows:

	Group		Society	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	\$'000	\$'000	\$'000	\$'000
Within one year	156,036	146,053	82,709	84,274
Subsequent years	<u>126,013</u>	<u>173,543</u>	<u>61,419</u>	<u>97,523</u>
	<u>282,049</u>	<u>319,596</u>	<u>144,128</u>	<u>181,797</u>

- (b) Undisbursed approved mortgages amounting to approximately \$2,344,358,000 (2012: \$1,831,007,000) for the Group and \$2,344,358,000 (2012: \$1,830,974,000) for the Society.

- (c) Capital commitments

Commitments for capital expenditure amounting:

	Group		Society	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	\$'000	\$'000	\$'000	\$'000
	<u>78,179</u>	<u>24,747</u>	<u>65,785</u>	<u>17,528</u>

42. Contingent liabilities

- (i) There are several claims which have been brought against the Society in respect of damages for alleged breach of contract and other matters. It is the opinion of the Society's legal advisor that, in the unlikely event that these claims should be successful, liability should not be significant.
- (ii) In the ordinary course of business, one of the subsidiaries seeks to reduce the loss that may result from catastrophe or other events that cause unfavourable underwriting results by reinsuring certain levels of risk with other insurers. These reinsurers are chosen based on their international rating, with no one reinsurer accounting for more than 15% of the subsidiary's aggregates. Reinsurance ceded does not discharge the subsidiary's liability as the principal insurer. Failure of reinsurers to honour their obligation could result in losses to the subsidiary. Consequently, a contingent liability exists should an assuming reinsurer be unable to meet its obligations.
- (iii) A subsidiary company has property catastrophe reinsurance up to a maximum of \$22.5 billion of which the Quota Share is \$18 billion and Catastrophe Excess of Loss \$4.5 billion (2012: Quota share of \$16.51 billion and Catastrophe Excess of Loss \$4.128 billion) per event under which it is liable for the first \$200 million (2012: \$100 million) of losses in accordance with the terms of the policies. Motor catastrophe reinsurance cover is US\$4million (2012: US\$4 million) per event. The group limits its net exposure to a maximum amount on any one loss of \$108 million (2012: \$103.2 million) for property claims, \$25 million on performance, tender and mobilisation bonds, \$10 million on motor, personal accident, public and employer's liability and fidelity bonds, \$5 million on fidelity guarantee bonds; and \$5 million on contractors all risks and other engineering exposures for the years ended March 31, 2013 and 2012.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued)
March 31, 2013

43. Insurance risk management

Risk management objectives and policies for mitigating insurance risk:

The Group's management of insurance and financial risk is a critical aspect of the business.

The primary insurance activity carried out by the Group is the transfer of risk from persons or entities that are directly subject to the risk, by means of the sale of insurance policies. As such, the Group is exposed to uncertainty surrounding the timing, frequency and severity of claims under these policies.

The principal types of policies written by the Group are:

- Liability insurance
- Property insurance
- Motor insurance

(a) Underwriting policy

The Group manages insurance risk through its underwriting policy that includes *inter alia* authority limits, approval procedures for transactions that exceed set limits, pricing guidelines and the centralised management of reinsurance.

The Group actively monitors insurance risk exposures both for individual and portfolio types of risks. These methods include internal risk measurement, portfolio modelling and analyses.

The Group seeks to underwrite a balanced portfolio of risks at rates and terms that will produce an underwriting result consistent with its long-term objectives.

The Board of Directors approves the underwriting strategy which is set out in an annual business plan and management is responsible for the attainment of the established objectives.

(b) Reinsurance strategy

The Group reinsures a portion of the risks it underwrites in order to protect capital resources and to limit its exposure to variations in the projected frequency and severity of losses.

Ceded reinsurance results in credit risk. The Group monitors the financial condition of re-insurers on an ongoing basis and reviews its reinsurance arrangements periodically. The Board of Directors is responsible for setting the minimum security criteria for accepting reinsurance and monitoring the purchase of reinsurance against those criteria and for monitoring its adequacy on an ongoing basis. Concentration of insurance risks is discussed in more detail in note 44.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued)
March 31, 2013

43. Insurance risk management (continued)

Risk management objectives and policies for mitigating insurance risk (continued):

The Group's management of insurance and financial risk is a critical aspect of the business (continued).

(c) Terms and conditions of general insurance contracts

The table below provides an overview of the terms and conditions of general insurance contracts written by the Group and the key factors upon which the timing and uncertainty of future cash flows of these contracts depend:

Type of contract	Terms and conditions	Key factors affecting future cash flows
Liability	Under these contracts, compensation is paid for injury suffered by individuals, including employees or members of the public. The main liability exposures are in relation to bodily injury.	<p>The timing of claim reporting and settlement is a function of factors such as the nature of the coverage and the policy provisions.</p> <p>The majority of bodily injury claims have a relatively long tail. In general, these claims involve higher estimation uncertainty.</p>
Property	Property insurance indemnifies, subject to any limits or excesses, the policyholder against the loss or damage to their own material property and business interruption arising from this damage.	<p>The risk on any policy varies according to many factors such as location, safety measures in place and the age of the property.</p> <p>The event giving rise to a claim for damage to buildings or contents usually occurs suddenly (as for fire and burglary) and the cause is easily determinable. Therefore, claims are generally notified promptly and can be settled without delay (Property business is therefore classified as "short-tailed" and expense deterioration and investment return is of less importance in estimating provisions.)</p> <p>The cost of repairing or rebuilding assets, of replacement or indemnity for contents and the time taken to restart or resume operations to original levels for business interruption losses are the key factors influencing the level of claims under these policies.</p>
Motor	Motor insurance contracts provide cover in respect of policyholders' motor vehicles and their liability to third parties in respect of damage to property and injury. The exposure on motor insurance contracts is normally limited to the replacement value of the vehicle and a policy limit in respect of third party damage.	<p>In general, claims reporting lags are minor and claim complexity is relatively low. The frequency of claims is affected by excessive speeding, the deteriorating condition of the road network, failure by some motorists to obey traffic signals and an overall increase in the incidence of motor vehicle accidents. The number of claims is also correlated with economic activity, which also affects the amount of traffic activity.</p>

Liability contracts:

Risks arising from liability insurance are managed primarily through pricing, product design, risk selection, rating and reinsurance. The Group monitors and reacts to changes in the general economic and commercial environment in which it operates to ensure that only liability risks which meet its criteria for profitability are underwritten.

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) March 31, 2013

43. Insurance risk management (continued)

Risk management objectives and policies for mitigating insurance risk (continued):

The Group's management of insurance and financial risk is a critical aspect of the business (continued).

(c) Terms and conditions of general insurance contracts (cont'd)

Property contracts:

The risks relating to property contracts are managed primarily through the pricing process. The Group uses strict underwriting criteria to ensure that the risk of losses is acceptable. Furthermore, the Group accepts property insurance risks for one year so that each contract can be re-priced on renewal to reflect the continually evolving risk profile.

Motor contracts:

The risks relating to motor contracts are managed primarily through the pricing process. The Group monitors and reacts to changes in trends of injury awards, litigation and the frequency of claims.

(d) Risk exposure and concentrations of risk:

The following table shows the Group's exposure to general insurance risk (based on the carrying value of claim provisions at the reporting date) per major category of business.

	<u>Liability</u> \$'000	<u>Property</u> \$'000	<u>Motor</u> \$'000	<u>Other</u> \$'000	<u>Total</u> \$'000
At March 31, 2013					
Gross	374,598	258,011	1,836,872	19,791	2,489,272
Net of reinsurance	<u>360,693</u>	<u>76,960</u>	<u>1,781,795</u>	<u>9,032</u>	<u>2,228,480</u>
At March 31, 2012					
Gross	285,268	91,033	2,138,713	34,212	2,549,226
Net of reinsurance	<u>272,263</u>	<u>27,714</u>	<u>2,058,447</u>	<u>16,112</u>	<u>2,374,536</u>

(e) Claims development:

Claims development information is disclosed in order to illustrate the insurance risk inherent in the Group. The top part of the table shows how the estimates of total claims for each accident year develop over time. The estimates are increased or decreased as losses are paid and more information becomes known about the severity of unpaid claims. The lower part of the table provides a reconciliation of the total provision included in the statement of financial position and the estimate of cumulative claims.

Analysis of net claims development:

	<u>Accident year</u>						
	<u>2008</u> \$'000	<u>2009</u> \$'000	<u>2010</u> \$'000	<u>2011</u> \$'000	<u>2012</u> \$'000	<u>2013</u> \$'000	<u>Total</u> \$'000
Estimate of cumulative claims at end							
of accident year	1,928,739	1,623,580	1,718,561	1,530,102	1,081,313	960,782	-
- one year later	1,928,256	1,327,651	1,705,324	1,352,987	880,297	-	-
- two years later	2,149,965	1,661,193	1,525,859	1,245,754	-	-	-
- three years later	1,967,493	1,540,715	1,461,210	-	-	-	-
- four years later	1,931,644	1,600,013	-	-	-	-	-
- five years later	<u>1,960,357</u>	-	-	-	-	-	-
Estimate of cumulative claims	1,960,357	1,600,013	1,461,210	1,254,754	880,297	960,782	8,117,413
Cumulative payments	(1,669,820)	(1,367,875)	(1,238,396)	(906,194)	(465,649)	(240,999)	(5,888,933)
Net outstanding liabilities	<u>290,537</u>	<u>232,138</u>	<u>222,814</u>	<u>348,560</u>	<u>414,648</u>	<u>719,783</u>	<u>2,228,480</u>

THE JAMAICA NATIONAL BUILDING SOCIETY

Notes to the financial statements (Continued) **March 31, 2013**

44. Concentration of insurance risks

A key aspect of the insurance risk faced by the Group is the extent of concentration of insurance risk which may exist where a particular event or series of events could impact significantly upon its liabilities. Such concentration may arise from a single insurance contract or through a portfolio of related contracts.

The main concentration risk to which the Group is exposed is natural disasters. By their nature, the timing and frequency of these events are uncertain. They represent a significant risk to the Group because the occurrence of an event could have a significantly adverse effect on its cash flows.

The Group's key methods in managing these risks are twofold:

- (a) Firstly, the risk is managed through the establishment of an appropriate underwriting strategy and its implementation by means of the group's underwriting policy [note 43(a)].
- (b) Secondly, the risk is managed through the use of reinsurance [note 43(b)]. The Group arranges proportional reinsurance at the risk level and purchases excess of loss cover for liability and property business. The Group assesses the costs and benefits associated with the reinsurance programme on a regular basis.

45. Subsequent events

- (a) On May 8, 2013, the Board of Directors approved the transfer of \$1.2 billion from Retained Earnings to Permanent Capital Fund which results in an increase in the Permanent Capital Fund from \$5.74 billion to \$6.94 billion (see note 28). On May 29, 2013, the Board of Directors approved the transfer of \$1 billion from Retained Earnings to Reserve Fund which results in an increase in the Reserve Fund from \$6.6 billion to \$7.6 billion (see note 29).
- (b) In May 2013, the Society's Board of Directors approved the Society's acquisition of NBSC's 20% shareholding in JN Money Services (Cayman) Limited.
- (c) A subsidiary, The Creative Unit Limited ceased trading on May 1, 2013. The operations and services previously provided were transferred to the parent society.
- (d) The Board of Directors made a decision to reduce and ultimately discontinue the operations of another subsidiary, JN Finance Limited. Its main operating activities will be carried out by the parent society.
- (e) The exchange rate of the Jamaica dollars at June 28, 2013, the Bank of Jamaica weighted average exchange of the Jamaica dollars was US\$1.00 to J\$100.67, £1.00 to J\$153.93 and cdn\$1.00 to J\$95.46 compared to US\$85.40 to £ 1.00 to J\$ 136.40 and cdn\$1.00 to J\$ 87.03 at March 31, 2013.



ISO 9001:2008



JNBS is the first financial institution in Jamaica
to be ISO 9001:2008 certified