FIRSTCARIBBEAN INTERNATIONAL BANK (JAMAICA) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2015

(Expressed in Jamaican dollars unless otherwise indicated)

FirstCaribbean International Bank (Jamaica) Limited

Index to the Financial Statements
Year ended 31 October 2015

EY
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of FirstCaribbean International Bank (Jamaica) Limited

Report on the financial statements

We have audited the accompanying financial statements of FirstCaribbean International Bank (Jamaica) Limited (the "Bank") which comprise the statement of financial position as at 31 October 2015 and the statement of changes in equity, statement of income, statement of comprehensive income, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Shareholders of FirstCaribbean International Bank (Jamaica) Limited (Continued)

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 Bank as at 31 October 2015 and of the Bank's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act.

Report on Additional Requirements of the Jamaican Companies Act
We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained and the financial statements are in agreement with the accounting records, and give the information required by the Jamaican Companies Act in the manner so required.

Ernst & Young

Chartered Accountants
Kingston, Jamaica

15 December 2015

FirstCaribbean International Bank (Jamaica) Limited

Statement of Financial Position
As at 31 October 2015
(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2015 $'000	Restated 2014 $'000	Restated 2013 $'000
ASSETS				
Cash and balances with Central Bank	3	7,889,845	5,035,490	4,924,493
Due from other banks	4	20,944,853	16,595,114	10,660,789
Derivative financial instruments	5	139	661	1,649
Other assets	6	202,080	461,432	118,920
Investment securities	7	5,224,574	5,231,270	6,241,344
Loans and advances to customers	8	37,583,517	32,932,437	31,973,867
Taxation recoverable		30,034	127,257	127,257
Property and equipment	9	1,136,335	787,387	580,799
Deferred tax assets	10	567,143	664,406	539,075
Retirement benefit asset	11	644,486	664,370	1,094,762
TOTAL ASSETS		74,223,006	62,499,824	56,262,955

The accompanying notes form an integral part of these financial statements.

FirstCaribbean International Bank (Jamaica) Limited

Statement of Financial Position
As at 31 October 2015
(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2015 $'000	Restated 2014 $'000	Restated 2013 $'000
LIABILITIES AND EQUITY				
LIABILITIES				
Customer deposits	12	55,978,001	44,872,290	40,748,482
Securities sold under agreements to repurchase	13	-	1,522,995	-
Derivative financial instruments	5	67	345	958
Other liabilities	2b(i),14	1,044,147	2,223,147	1,305,842
Taxation payable		-	-	39,315
Debt securities in issue	15	3,070,705	-	-
Retirement benefit obligation	11	77,164	84,017	53,811
TOTAL LIABILITIES		60,170,084	48,702,794	42,148,408
EQUITY				
Share capital	16	8,465,258	8,465,258	8,465,258
Reserves	16	5,769,507	5,422,573	5,707,563
Accumulated deficit	2b(i)	(181,843)	(90,801)	(58,274)
TOTAL EQUITY		14,052,922	13,797,030	14,114,547
TOTAL LIABILITIES AND EQUITY		74,223,006	62,499,824	56,262,955

The accompanying notes form an integral part of these financial statements.

Approved for issue by the Board of Directors on 15 December 2015 and signed on its behalf by:

Mark St. Hill

Anthony Bell

Nigel Holness

Allison Rattray

FirstCaribbean International Bank (Jamaica) Limited

Statement of Changes in Equity
Year ended 31 October 2015
(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	Share Capital	Reserves	Accumulated Deficit	Total
		$'000	$'000	$'000	$'000
Balance at 31 October 2013, as previously stated		8,465,258	5,707,563	(123,779)	14,049,042
Effect of change in accounting policies	2(b)(i)	-	-	65,505	65,505
Balance at 31 October 2013, as restated	2(b)(i)	8,465,258	5,707,563	(58,274)	14,114,547
Total comprehensive loss for the year, as restated	2(b)(i),30	-	(284,990)	(32,527)	(317,517)
Balance at 31 October 2014, as restated	2(b)(i)	8,465,258	5,422,573	(90,801)	13,797,030
Total comprehensive income for the year	30	-	79,972	175,920	255,892
Transfer to loan loss reserve	22	-	266,962	(266,962)	-
Balance at 31 October 2015		8,465,258	5,769,507	(181,843)	14,052,922

The accompanying notes form an integral part of these financial statements.

FirstCaribbean International Bank (Jamaica) Limited

Statement of Income
Year ended 31 October 2015
(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2015 $'000	Restated 2014 $'000
Interest and similar income		3,730,003	3,525,012
Interest and similar expense		(981,992)	(723,491)
Net interest income	24	2,748,011	2,801,521
Other operating income	25	1,544,019	1,650,887
Total operating income		4,292,030	4,452,408
Loan loss impairment	8	87,226	(235,284)
Net operating income		4,379,256	4,217,124
Operating expenses	2(b)(i),26	(4,047,190)	(4,228,772)
Profit/(Loss) before taxation	27	332,066	(11,648)
Income tax expense	28	(156,146)	(20,879)
NET PROFIT/(LOSS) FOR THE YEAR, ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	2(b)(i),29	175,920	(32,527)
EARNINGS/(LOSS) PER STOCK UNIT	29	0.22	(0.04)

The accompanying notes form an integral part of these financial statements.

FirstCaribbean International Bank (Jamaica) Limited

Statement of Comprehensive Income
Year ended 31 October 2015
(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2015 $'000	Restated 2014 $'000
Net profit/(loss) for the year	2b(i)	175,920	(32,527)
Other comprehensive income/(loss), net of tax:			
Other comprehensive income/(loss), net of tax, to be reclassified to net income or loss in subsequent periods:			
Net gains/(losses) on available-for-sale investment securities	30	717	(5,849)
Other comprehensive income/(loss), net of tax, not to be reclassified to net income or loss in subsequent periods:			
Re-measurement gains/(losses) on retirement benefit plans	30	79,255	(279,141)
		79,972	(284,990)
Comprehensive income/(loss) for the year, attributable to equity holders of the parent		255,892	(317,517)

The accompanying notes form an integral part of these financial statements.

FirstCaribbean International Bank (Jamaica) Limited

Statement of Cash Flows
Year ended 31 October 2015
(Expressed in Jamaican dollars unless otherwise indicated)

	Notes	2015 $'000	Restated 2014 $'000
Cash Flows from Operating Activities			
Profit/(Loss) before taxation		332,066	(11,648)
Adjustments to reconcile profit/(loss) to net cash used in operating activities:			
Loan loss impairment	8	(87,226)	235,284
Loss/(Gain) on disposal of property and equipment		1,248	(654)
Depreciation	9	176,229	150,906
Interest income	24	(3,730,003)	(3,525,012)
Interest expense	24	981,992	723,491
Fair value losses on derivative financial instruments		9,107	8,779
Unrealised foreign exchange gains		(395,734)	(540,330)
		(2,712,321)	(2,959,184)
Changes in operating assets and liabilities:			
Loans to customers		(3,514,074)	(4,760)
Customer deposits		9,518,842	2,533,713
Retirement benefit asset		60,710	(20,522)
Retirement benefit obligations		9,415	5,614
Other assets		246,167	(343,544)
Other liabilities		(1,339,618)	727,838
Statutory reserves at Bank of Jamaica		(1,191,907)	(9,527)
		1,077,214	(70,372)
Interest received		3,675,046	3,567,332
Interest paid		(823,162)	(687,100)
Income tax paid		(1,646)	(60)
Cash provided by operating activities		3,927,452	2,809,800
Cash Flows from Investing Activities			
Investment securities, net		5,478	999,808
Money market placements		1,344,000	(1,344,000)
Additions to property and equipment	9	(527,539)	(357,590)
Proceeds from disposal of property and equipment		1,114	750
Net cash provided by/(used in) investing activities		823,053	(701,032)
Cash Flows from Financing Activities			
Proceeds from issue of debt securities	15	3,000,000	-
Government securities sold under agreements to repurchase		(1,498,278)	1,498,278
Net cash provided by financing activities		1,501,722	1,498,278
Net increase in cash and cash equivalents		6,252,227	3,607,046
Effect of exchange rate changes on cash and cash equivalents		1,103,960	1,084,749
Cash and cash equivalents at beginning of year		15,938,825	11,247,030
CASH AND CASH EQUIVALENTS AT END OF YEAR	3	23,295,012	15,938,825

The accompanying notes form an integral part of these financial statements.

FirstCaribbean International Bank (Jamaica) Limited

Notes to the Financial Statements
Year ended 31 October 2015
(Expressed in Jamaican dollars unless otherwise indicated)

1. Corporate Information

FirstCaribbean International Bank (Jamaica) Limited (the "Bank"), which is incorporated and domiciled in Jamaica, is a 99.71% (2014 – 99.71%) subsidiary of FirstCaribbean International Bank Limited (the "Parent"), a bank incorporated and domiciled in Barbados. The ultimate parent company and controlling party is Canadian Imperial Bank of Commerce ("CIBC"), a company incorporated in Canada.

The registered office of the Bank is located at 23-27 Knutsford Boulevard, Kingston 5, Jamaica.

The Bank is licensed to carry on banking and other related services and is regulated by the Bank of Jamaica (BOJ) under the Banking Services Act (BSA) which was passed in June 2014 and became effective on 30 September 2015. This Act repealed and replaced, *inter alia*, the former Banking Act, 1992 and the Banking (Amendment) Act, 1997. The BSA and related regulations, provide a standardized legal framework for the operations of the licensed deposit-taking intermediaries and provide the statutory principles on which supervision is conducted. The legal framework is further complemented by supervisory notes and Standards of Best Practice issued by the BOJ. The legislation serves to further strengthen oversight of the deposit-taking financial sector and achieve greater conformity with the Basel Core Principles. The BSA has had no significant impact on the presentation of these financial statements.

2. Summary of Significant Accounting Policies

The principal financial accounting policies adopted in the preparation of these financial statements are set out below:

(a) Basis of preparation

(i) Statement of compliance

These financial statements have been prepared in conformity with International Reporting Financial Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the requirements of the Jamaican Companies Act.

The financial statements provide comparative information in respect of the previous period. In addition, the Bank presents an additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in the financial statements. An additional statement of financial position as at 31 October 2013 is presented in these financial statements due to retrospective application of certain accounting policies. Refer to Note 2(b)(i).

(ii) Basis of measurement

These financial statements have been prepared under the historical cost basis, except for available-for-sale investment securities, and derivative financial instruments, which have all been measured at fair value. The carrying value of recognized assets that are hedged items in fair value hedges, are adjusted to record changes in fair value attributable to the risks that are being hedged. Additionally, certain land and buildings are measured at deemed cost. Deemed cost represents fair value at the date of transition to IFRS.

(iii) Judgement and estimates

The preparation of financial statements in conformity with IFRS requires management to make certain critical estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

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

Other disclosures relating to the Bank's exposure to risks and uncertainties includes:

- Capital management - Note 16
- Financial risk management and policies - Note 36
- Sensitivity analyses disclosures - Notes 11 and 36

The areas requiring a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 37.

FirstCaribbean International Bank (Jamaica) Limited

Notes to the Financial Statements
Year ended 31 October 2015
(Expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(b) Changes in accounting policies

(i) Standards, interpretations and amendments to published standards that were adopted during the year

The accounting policies adopted are consistent with those of the previous financial year with the exception of those impacted by new and amended standards and interpretations.

New and amended standards and interpretations

The Bank has applied, for the first time, IFRIC 21 Levies that requires restatement of previous financial statements (see below). Several other new standards and amendments apply for the first time in 2015, however, they do not impact the annual financial statements.

The nature and the impact of the new standards and amendments are described below:

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32
These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments are effective for annual periods beginning on or after 1 January 2014. These amendments have no impact on the Bank.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014.These amendments have no impact to the Bank as the Bank has not novated its derivatives during the current or prior periods.

Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36
These amendments remove the unintended consequences of IFRS 13 Fair Value Measurement on the disclosures required under IAS 36 Impairment of Assets. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period. These amendments are effective for annual periods beginning on or after 1 January 2014. These amendments have no impact on the Bank as there was no impairment loss has been recognised or reversed during the period.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. It is not expected that this amendment would be relevant to the Bank, since the Bank has no defined benefit plan with contributions from employees or third parties.

2. Summary of Significant Accounting Policies (Continued)

(b) Changes in accounting policies (continued)

(i) Standards, interpretations and amendments to published standards that were adopted during the year (continued)

New and amended standards and interpretations (continued)

Annual Improvements 2010 - 2012 Cycle
In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 Fair Value Measurement. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Bank.

Annual Improvements 2011-2013 Cycle
In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 has no impact on the Bank, since the Bank is an existing IFRS preparer.

IFRIC 21 Levies
IFRIC 21 clarifies the timing of the recognition of the liability for a levy imposed by a government. The Interpretation covers the accounting for outflows of economic benefits imposed on entities by governments (including government agencies and similar bodies) in accordance with laws and/or regulations. However, it does not include income taxes, fines and other penalties, liabilities arising from emissions, trading schemes and outflows within the scope of other standards.

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognized before the specified minimum threshold is reached. The interpretation requires these same principles to be applied in interim financial statements.

IFRIC 21 is effective for annual periods beginning on or after 1 January 2014 and is applied retrospectively. The Bank has applied IFRIC 21 for the first time in these financial statements.

The Bank, is required by legislation to pay an asset tax on March 15th of each year based on the assets held as at the end of the previous financial year. Accordingly, a levy liability was recognized progressively over time during the previous financial year.

Upon adoption of IFRIC 21, asset tax is no longer eligible to be accounted for on a periodic accrual basis, but must be recorded in full when triggered. The full liability of this expense for this current financial year was recorded on 1 November 2014 , based on the assets recorded as at 31 October 2014. Accordingly, the Bank has determined that the levy liability that was recognized at 31 October 2014 should be reversed and instead be recognized in full on 1 November 2014.

The prior period financial statements have been restated to reflect this change as follows:

FirstCaribbean International Bank (Jamaica) Limited

Notes to the Financial Statements
Year ended 31 October 2015
(Expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(b) Changes in accounting policies (continued)

(i) Standards, interpretations and amendments to published standards that were adopted during the year (continued)

The impact on the statements of financial position as a result of the retrospective application of IFRIC 21 was as follows:

	Reported as at 31 October 2014 $'000	IFRIC 21 Adjustments $'000	Restated as at 31 October 2014 $'000
Total Assets	62,499,824	-	62,499,824
Liabilities and Equity			
Liabilities			
Other liabilities	2,351,638	(128,491)	2,223,147
Liability line items not impacted by accounting changes	46,479,647	-	46,479,647
Total Liabilities	48,831,285	(128,491)	48,702,794
Equity			
Share capital	8,465,258	-	8,465,258
Reserves	5,422,573	-	5,422,573
Accumulated deficit	(219,292)	128,491	(90,801)
Total Equity	13,668,539	128,491	13,797,030
Total Liabilities & Equity	62,499,824	-	62,499,824

FirstCaribbean International Bank (Jamaica) Limited

Notes to the Financial Statements
Year ended 31 October 2015
(Expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(b) Changes in accounting policies (continued)

(i) Standards, interpretations and amendments to published standards that were adopted during the year (continued)

	Reported as at 31 October 2013 $'000	IFRIC 21 Adjustments $'000	Restated as at 31 October 2013 $'000
Total Assets	56,262,955	-	56,262,955
Liabilities and Equity			
Liabilities			
Other liabilities	1,371,347	(65,505)	1,305,842
Liability line items not impacted by accounting changes	40,842,566	-	40,842,566
Total Liabilities	42,213,913	(65,505)	42,148,408
Equity			
Share capital	8,465,258	-	8,465,258
Reserves	5,707,563	-	5,707,563
Accumulated deficit	(123,779)	65,505	(58,274)
Total Equity	14,049,042	65,505	14,114,547
Total Liabilities & Equity	56,262,955	-	56,262,955

The impact on the statement of income and statement of comprehensive loss as a result of the retrospective application of IFRIC 21 were as follows:

	Reported as at 31 October 2014 $'000	IFRIC 21 Adjustments $'000	Restated as at 31 October 2014 $'000
Impact on loss for the year			
Net operating income	4,217,124	-	4,217,124
Operating expenses	(4,291,758)	62,986	(4,228,772)
Income tax expense	(20,879)	-	(20,879)
Net loss for the year	(95,513)	62,986	(32,527)
Impact on other comprehensive loss for the year			
Net loss for the year	(95,513)	62,986	(32,527)
Other comprehensive loss, net of tax	(284,990)	-	(284,990)
Total comprehensive loss for the year	(380,503)	62,986	(317,517)

FirstCaribbean International Bank (Jamaica) Limited

2. Summary of Significant Accounting Policies (Continued)

(b) Changes in accounting policies (continued)

(ii) Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards and amendments to existing standards have been published that are mandatory for the Bank's accounting periods beginning on or after 1 November 2015. Of these, the following are relevant to the Bank but have not been early adopted:

- IFRS 9 Financial Instruments - In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Bank's financial assets, but no impact on the classification and measurement of the Bank's financial liabilities.

- IFRS 15 Revenue from Contracts with Customers - IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Bank is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests - The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Bank.

FirstCaribbean International Bank (Jamaica) Limited

Notes to the Financial Statements
Year ended 31 October 2015
(Expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(c) Segment reporting

Business segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the business segments of an entity. The Bank has determined the Executive Management Committee as its chief operating decision-maker.

All transactions between business segments are conducted on an arm´s length basis, with intra-segment revenue and costs being eliminated on consolidation. Income and expenses directly associated with each segment are included in determining business segment performance.

(d) Foreign currency translation

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates, referred to as the functional currency. The functional currency of the Bank is the same as its presentation currency. The financial statements are presented in Jamaican dollars, which is the Bank's functional and presentation currency.

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from such transactions and from the translation of foreign currency monetary assets and liabilities at the year-end exchange rates are recognised in the statement of income.

Translation differences resulting from changes in the amortised cost of foreign currency monetary assets classified as available-for-sale are recognised in the statement of income. Other changes in the fair value of these assets are recognised in other comprehensive income. Translation differences on non-monetary financial assets classified as available-for-sale are reported as a component of the fair value gain or loss in other comprehensive income.

(e) Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Bank uses interest rate swaps to manage its foreign currency risks and interest rate risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives are taken directly to the statement of income, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

FirstCaribbean International Bank (Jamaica) Limited

2. Summary of Significant Accounting Policies (Continued)

(e) Derivative financial instruments and hedge accounting (continued)

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk)
- Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Bank formally designates and documents the hedge relationship to which the Bank wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed at inception and on a monthly basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the Bank's strict criteria for hedge accounting are accounted for as follows:

(i) Fair value hedge
For hedging relationships which are designated and qualify as fair value hedges and that prove to be highly effective in relation to hedged risk, changes in the fair value of the derivatives are recorded in the statement of income, along with the corresponding change in fair value of the hedged asset or liability that is attributable to that specific hedged risk.

If the hedge no longer meets the criteria for hedge accounting, an adjustment to the carrying amount of a hedged interest-bearing financial instrument is amortised to net profit or loss over the remaining period to maturity.

(ii) Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the statement of income. The Bank has not entered into any cash flow hedge arrangements during the financial year.

Amounts accumulated in other comprehensive income are recycled to the statement of income in the periods in which the hedged item will affect profit or loss (for example, when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income and is recognised when the forecast transaction is ultimately recognised in the statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the statement of income.

Certain derivative instruments do not qualify for hedge accounting or are not so designated, and changes in the fair value of these derivatives are included in net trading income or losses in the statement of income.

FirstCaribbean International Bank (Jamaica) Limited

2. Summary of Significant Accounting Policies (Continued)

(f) Financial instruments

The Bank recognises financial instruments on its statement of financial position when it becomes a party to the contractual provisions of the instrument and classifies its financial assets into the following categories:

(i) Loans and receivables; or
(ii) Available-for-sale financial assets.

Management determines the classification of its investments at initial recognition.

Financial assets are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive the cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership.

During the normal course of business, financial assets carried at amortised cost may be restructured with the mutual agreement of the Bank and the counterparty. When this occurs for reasons other than those which could be considered indicators of impairment (see 'Impairment of financial assets') the Bank assesses whether the restructured or renegotiated financial asset is significantly different from the original one by comparing the present value of the restructured cash flows discounted at the original instrument's interest rate. If the restructured terms are significantly different, the Bank derecognises the original financial asset and recognises a new one at fair value, with any difference recognised in the statement of income.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They arise when the Bank provides money, goods or services directly or indirectly to a debtor with no intention of trading the receivable.

Loans and receivables financial assets are carried at amortised cost using the effective interest method, less any provisions for impairment. Third party expenses associated with loans and receivables, such as legal fees incurred in securing a loan are expensed as incurred.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

All purchases and sales of financial assets at available-for-sale that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recognised at settlement date, which is the date that the Bank commits to purchase or sell the asset. Otherwise such transactions are treated as derivatives until settlement occurs. Loans and receivables are recognised when cash is advanced to borrowers.

Available-for-sale financial assets are subsequently re-measured at fair value based on quoted bid prices or amounts derived from cash flow models. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in other comprehensive income. When the securities are disposed of or impaired, the related accumulated fair value adjustments are included in the statement of income as gains and losses from investment securities.

Unquoted equity instruments for which fair values cannot be measured reliably are recognised at cost less impairment, if any.

2. Summary of Significant Accounting Policies (Continued)

(f) Financial instruments (Continued)

(ii) Available-for-sale financial assets (Continued)
All gains and losses from disposals of investment securities available-for-sale are included in operating income as net investment securities gains or losses. Where certain financial assets are hedged and there is ineffectiveness, this is included in operating income as net hedge relationship gains or losses. Dividends are recorded on the accrual basis when declared and are included in investment securities interest and similar income.

Financial liabilities, other than derivatives, are measured at amortised cost. Derivatives are measured at fair value. Interest expense is recognised on an accrual basis using the effective interest method.

(g) Cash and cash equivalents
For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including cash and balances with Bank of Jamaica (excluding statutory reserves) and accounts with other banks (Note 3).

(h) Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(i) Impairment of financial assets
The Bank assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of financial assets is impaired includes observable data that comes to the attention of the Bank about the following loss events:

(i) significant financial difficulty of the issuer or obligor;
(ii) a breach of contract, such as a default or delinquency in interest or principal payments;
(iii) the Bank granting to a borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
(iv) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
(v) the disappearance of an active market for that financial asset because of financial difficulties; or
(vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Bank, including:

- adverse changes in the payment status of borrowers in the Bank; or
- national or local economic conditions that correlate with default on the assets in the Bank.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the carrying amount and the recoverable amount, being the estimated present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate.

In certain instances, the terms of advances to customers are restructured or renegotiated. These facilities are subject to the impairment review noted above, and where there is objective evidence of impairment, the amount of any impairment loss is measured as the difference between the carrying value of the facility and the present value of estimated future cash flows based on the renegotiated terms and conditions discounted at the original effective interest rate before restructuring.

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2. Summary of Significant Accounting Policies (Continued)

(i) Impairment of financial assets (Continued)

Loans are written off, in whole or in part, against the related allowance for credit losses upon settlement (realisation) of collateral or in advance of settlement (no realisation) where the determination of the recoverable value is completed and there is no realistic prospect of recovery above the recoverable value. Any subsequent recoveries are credited to the statement of income. If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to the statement of income.

In circumstances where Central Bank guidelines and regulatory rules require provisions in excess of those calculated under IFRS, the difference is disclosed as an appropriation of retained earnings and is included in a non-distributable general banking reserve.

(j) Derecognition of financial assets and liabilities

(i) Financial assets

Financial assets are derecognised when the rights to receive the cash flows from the financial assets have expired, the rights to receive cash flows from the asset have been transferred or there is an obligation to pay the received cash flows in full without material delay to a third party, and where the Bank has transferred substantially all risks and rewards of ownership or the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of income.

(k) Sale and repurchase agreements and lending of securities

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

(l) Loans and provision for impairment losses

Loans are stated net of unearned income and provision for impairment.

Loans are recognised when cash is advanced to borrowers. They are initially recorded at cost, which is the cash given to originate the loan including any transaction costs, and are subsequently measured at amortised cost using the effective interest rate method.

A provision for loan impairment is established if there is objective evidence that the Bank will not be able to collect all amounts due according to the original contractual terms of loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans.

The provision for loan impairment also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the statement of financial position date. These have been estimated based upon historical patterns of losses in each component, the credit rating allocated to the borrowers and the current economic climate in which the borrowers operate.

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2. Summary of Significant Accounting Policies (Continued)

(l) Loans and provision for impairment losses (Continued)
A loan is classified as impaired when, in management's opinion, there has been deterioration in credit quality to the extent that there is no longer reasonable assurance of timely collection of the full amount of principal and interest. As required by statutory regulations, if a payment on a loan is contractually 90 days in arrears, the loan will be classified as impaired, if not already classified as such. Any credit card loan that has a payment that is contractually 180 days in arrears is written-off.

(m) Leases

(i) As lessee
Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases are charged to the statement of income on a straight-line basis over the period of the lease.

(ii) As lessor
When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

(n) Financial guarantees
Financial guarantees are financial contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts issued by the Bank are treated as contingent liabilities and not recognised in the statement of financial position until a payment under the guarantee has been made, at which time the payment is treated as a loan and advance to customers.

(o) Property and equipment
Land and buildings comprise mainly branches and offices and are shown at deemed cost, less subsequent depreciation for buildings. Under IFRS 1, a first time adopter may elect to use a previous GAAP revaluation of an item of property and equipment as its deemed cost. The Bank elected to apply this provision on transition to IFRS on 1 November 2002.

All other property and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Land is not depreciated. Depreciation on other property and equipment is computed on the straight line method at rates considered adequate to write-off the cost of depreciable assets, less salvage, over their useful lives.

The annual rates used are:

- Buildings	2½%
- Leasehold improvements	10% or over the life of the lease
- Equipment, furniture and vehicles	6.67% - 50%

2. Summary of Significant Accounting Policies (Continued)

(o) Property and equipment (Continued)
Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The asset's recoverable amount is the higher of the asset's fair value less costs to sell and the value in use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of property and equipment are determined by reference to its carrying amount and are taken into account in determining net income.

(p) Transactions with jointly controlled entities
IFRS 3 Business Combinations does not apply to a business combination of entities or businesses under common control. A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The Bank accounts for the acquisition of commonly controlled entities as follows:

- The assets, liabilities, income and expenses of a subsidiary are included in the financial statement prospectively from the date of acquisition.
- The assets and liability of the subsidiaries are reflected in the financial statements at their carrying amounts and are not revalued to fair value.
- No new goodwill is recognized as a result of the combination. Instead, any difference between the value of consideration and the carrying value of the assets acquired is reflected as an adjustment to retained earnings.

(q) Provisions
Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, if it is more than likely that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The expense relating to any provision is charged to the statement of income net of any reimbursement.

(r) Income taxes
Taxation expense in the statement of income comprises current and deferred tax charges.

Current tax charges are based on taxable income for the year, which differs from the income before tax reported because taxable income excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The Bank's liability for current tax is calculated at tax rates that have been enacted at the reporting date.

2. Summary of Significant Accounting Policies (Continued)

(r) Income taxes (Continued)

Deferred tax is the tax that is expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilised.

Deferred tax is charged or credited in the statement of income, except where it relates to items charged or credited to other comprehensive income, in which case deferred tax is also dealt with in the statement of comprehensive income.

(s) Customer loyalty programme

The Bank offers customer points programmes through its credit card products. A portion of the net fee revenues are deferred in relation to award credits under customer loyalty programmes as a separately identifiable revenue component. The amount deferred represents the fair value of the award credits and is recognised when the awards are utilised or expire.

(t) Retirement benefit obligations

(i) Pension obligations

The Bank operates a defined benefit plan and a defined contribution plan, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from the Bank, taking account of the recommendations of independent qualified actuaries.

A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. The asset recognised in the statement of financial position in respect of the defined benefit pension plan is the difference between the present value of the defined benefit obligation at the reporting date and the fair value of plan assets, together with adjustments for unrecognised actuarial gains and losses and past service cost. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability.

Re-measurements, comprising where applicable actuarial gains and losses, the effect of the asset ceiling, excluding net interest and the return on plan assets (excluding net interest), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Bank recognises restructuring-related costs

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2. Summary of Significant Accounting Policies (Continued)

(t) Retirement benefit obligations (Continued)

(i) Pension obligations (Continued)
Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Bank recognises the following changes in the net defined benefit obligation as part of staff costs expenses in the statement of income:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

A defined contribution plan is a pension plan under which the Bank pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The regular contributions constitute net periodic costs for the year in which they are due and as such are included in staff costs. The Bank's contributions to defined contribution pension plans are charged to the statement of income in the year to which they relate.

(ii) Other post-retirement obligations
The Bank provides post-retirement health care benefits to its retirees. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using a methodology similar to that for defined benefit pension plans. These obligations are valued annually by independent qualified actuaries.

(iii) Annual leave and other benefits
Employee entitlements to annual leave and other benefits are recognised when they accrue to employees. A provision is made for the established liability for annual leave and other benefits as a result of services rendered by employees up to the statement of financial position date.

(u) Borrowings
Borrowings are recognised initially at fair value less transaction costs and are subsequently stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the statement of income over the period of the borrowings, using the effective interest method.

FirstCaribbean International Bank (Jamaica) Limited

2. Summary of Significant Accounting Policies (Continued)

(v) Recognition of income and expenses

(i) Interest and similar income and expense

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

Where collection of interest income is considered doubtful, or payment is outstanding for more than 90 days, the banking regulations stipulate that interest should be taken into account on the cash basis. IFRS requires that when loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount. The difference between the regulatory and IFRS bases of interest recognition was assessed to be immaterial.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the original effective interest rate.

(ii) Fee and commission income

Fees and commission are generally recognised on an accrual basis when the service has been provided. Fees and commission arising from origination, negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportioned basis. Asset management fees related to investment funds are recognised rateably over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.

(w) Earnings per stock unit

Basic earnings per stock unit is calculated by dividing the net profit attributable to equity holders of the parent by the weighted average number of common shares outstanding during the year.

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3. Cash and Balances with Central Bank

	2015 $'000	2014 $'000
Cash	720,113	580,957
Deposits with Central Bank – interest bearing	4,025,809	2,152,541
Deposits with Central Bank – non-interest bearing	3,140,809	2,301,992
	7,886,731	5,035,490
Interest receivable	3,114	-
	7,889,845	5,035,490

Under Section 43 of the Banking Services Act, 2014 (2014 – Section 14 (i) the Banking Act, 1992), the Bank is required to place deposits with the Bank of Jamaica ("Central Bank") which are held substantially on a non-interest-bearing basis as a cash reserve; accordingly, these amounts are not available for investment or other use by the Bank. These reserves represent the required ratio of the Bank's prescribed liabilities as follows:

	2015	2014
Jamaica dollar denominated cash reserves	12%	12%
Foreign currency denominated reserves	9%	9%

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	2015 $'000	2014 $'000
Cash and balances with Central Bank	7,889,845	5,035,490
Less: Mandatory reserve deposits with Central Bank (Note 34)	(5,539,686)	(4,347,779)
	2,350,159	687,711
Due from other banks (Note 4)	20,944,853	16,595,114
	23,295,012	17,282,825
Less: Balances with maturity dates over 90 days	-	(1,344,000)
	23,295,012	15,938,825

4. Due From Other Banks

	2015 $'000	2014 $'000
Money market placements	20,941,392	16,591,933
Interest receivable	3,461	3,181
	20,944,853	16,595,114

Included in money market placements are deposits with the ultimate parent company of $970,614,000 (2014 – $1,136,571,000) (Note 31).

FirstCaribbean International Bank (Jamaica) Limited

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5. Derivative Financial Instruments

The table below shows the fair values of derivative financial instruments recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year-end and are indicative of neither the market risk nor the credit risk.

	Contract /Notional Amount Assets US$'000	Contract /Notional Amount Liabilities US$'000	Fair Values	
			Assets J$'000	Liabilities J$'000
As at 31 October 2015				
Interest rate swaps	600	600	139	(67)
As at 31 October 2014				
Interest rate swaps	1,400	1,400	661	(345)

Interest rate swaps
Interest rate swaps are contractual agreements between two parties to exchange movements in interest rates.

6. Other Assets

	2015 $'000	2014 $'000
Items in transit, net	-	129,963
Prepayments and deferred items	62,173	53,523
Due from related parties	40,154	240,094
Other	99,753	37,852
	202,080	461,432

7. Investment Securities

	2015 $'000	2014 $'000
Securities available-for-sale:		
Equity securities – unquoted (see note below)	5,034	5,034
Issued or guaranteed by the Government of Jamaica –		
Bonds & debentures	5,176,342	5,180,745
	5,181,376	5,185,779
Interest receivable	43,198	45,491
Total	5,224,574	5,231,270

Unquoted equity instruments for which fair values cannot be measured reliably are recognised at cost less impairment. Note 2(f)(ii).

The movement in investment securities may be summarised as follows:

Securities available-for-sale:

	$'000
Balance at 1 November 2013	6,176,361
Disposals – sale and redemption	(999,808)
Losses from changes in fair value	(8,775)
Gains from changes in foreign exchange rate	18,001
Balance at 31 October 2014	5,185,779
Losses from changes in fair value	1,075
Amortisation of premium on purchases	(5,478)
Balance at 31 October 2015	5,181,376

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8. Loans and Advances to Customers

	2015				2014			
	Mortgages $'000	Personal Loans $'000	Business & Government $'000	Total $'000	Mortgages $'000	Personal Loans $'000	Business & Government $'000	Total $'000
Performing loans	8,506,782	5,761,596	22,765,301	37,033,679	7,942,922	5,034,867	19,544,157	32,521,946
Impaired loans	756,159	447,322	378,402	1,581,883	786,940	456,176	397,701	1,640,817
Gross loans	9,262,941	6,208,918	23,143,703	38,615,562	8,729,862	5,491,043	19,941,858	34,162,763
Less: Provision for credit losses	(411,829)	(268,882)	(357,754)	(1,038,465)	(382,649)	(381,517)	(423,365)	(1,187,531)
	8,851,112	5,940,036	22,785,949	37,577,097	8,347,213	5,109,526	19,518,493	32,975,232
Add: Interest receivable				263,424				206,159
Less: Unearned fee income				(257,004)				(248,954)
				37,583,517				32,932,437

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8. Loans and Advances to Customers (Continued)

Ageing analysis of past due but not impaired loans is as follows:

As at 31 October 2015	Mortgages $'000	Personal Loans $'000	Business & Government $'000	Total $'000
Less than 30 days	15,351	115,549	53,550	184,450
31 – 60 days	756,959	142,919	9,639	909,517
61- 90 days	87,465	73,304	-	160,769
	859,775	331,772	63,189	1,254,736

As at 31 October 2014	Mortgages $'000	Personal Loans $'000	Business & Government $'000	Total $'000
Less than 30 days	36,288	137,984	716,352	890,624
31 – 60 days	428,288	50,848	27,328	506,464
61- 90 days	150,976	17,024	3,024	171,024
	615,552	205,856	746,704	1,568,112

Provision for credit losses comprise:-

	2015 $'000	2014 $'000
Specific provision	302,407	325,514
General provision	736,058	862,017
	1,038,465	1,187,531

As at 31 October 2015, loans with principal balances outstanding of $1,581,883,000 (2014 - $1,640,817,000) were in non-performing status. Interest receivable on these loans amounted to $38,741,000 (2014 - $40,140,000). Interest taken to income amounted to $28,904,000 (2014 - $9,793,000).

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Notes to the Financial Statements
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8. Loans and Advances to Customers (Continued)

The movement in the provision for credit losses during the year is as follows:

	Mortgages $'000	Personal Loans $'000	Business & Government $'000	Total $'000
As at 31 October 2015				
Balance, beginning of year	382,649	381,517	423,365	1,187,531
Individual impairment	32,697	(53,517)	59,553	38,733
Collective impairment	(3,636)	(6,411)	(115,912)	(125,959)
Interest accrued on impaired loans	-	(2,060)	-	(2,060)
Recoveries & write offs	119	(50,647)	(9,252)	(59,780)
Balance, end of year	411,829	268,882	357,754	1,038,465

	Mortgages $'000	Personal Loans $'000	Business & Government $'000	Total $'000
As at 31 October 2014				
Balance, beginning of year	224,333	252,469	665,025	1,141,827
Individual impairment	129,321	188,699	95,175	413,195
Collective impairment	30,043	17,786	(225,740)	(177,911)
Interest accrued on impaired loans	-	(987)	(583)	(1,570)
Recoveries & write offs	(1,048)	(76,450)	(110,512)	(188,010)
Balance, end of year	382,649	381,517	423,365	1,187,531

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8. Loans and Advances to Customers (Continued)

The provision for credit losses determined under the Bank of Jamaica regulatory requirements is as follows:

	2015 $'000	2014 $'000
Specific provision	938,632	694,777
General provision	736,058	862,017
	1,674,690	1,556,794
Excess of regulatory provision over IFRS provision reflected in non-distributable loan loss reserve (Note 22)	636,225	369,263

Loans and advances to customers include finance lease receivables:

	2015 $'000	2014 $'000
No later than 1 year	1,111	13,374
Later than 1 year and no later than 5 years	-	1,111
Gross investment in finance leases	1,111	14,485
Unearned future finance income on finance leases	(21)	(1,891)
Net investment in finance leases	1,090	12,594

There was no provision for impairment on finance lease receivables.

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9. Property and Equipment

	Land $'000	Buildings $'000	Leasehold Improvements $'000	Equipment, Furniture and Vehicles $'000	Total $'000
			2015		
Cost					
1 November 2014	55,000	182,567	267,087	1,897,906	2,402,560
Additions	-	18,212	52,577	456,750	527,539
Disposals	-	(471)	(1,284)	(25,068)	(26,823)
Transfers	-	5,904	34,735	(40,639)	-
31 October 2015	55,000	206,212	353,115	2,288,949	2,903,276
Accumulated depreciation					
1 November 2014	-	42,514	179,154	1,393,505	1,615,173
Charge for the year	-	4,790	23,284	148,155	176,229
Relieved on disposals	-	(68)	(905)	(23,488)	(24,461)
31 October 2015	-	47,236	201,533	1,518,172	1,766,941
Net book value					
31 October 2015	55,000	158,976	151,582	770,777	1,136,335
			2014		
Cost					
1 November 2013	55,000	180,004	258,502	1,560,290	2,053,796
Additions	-	2,563	4,134	350,893	357,590
Disposals	-	-	-	(8,826)	(8,826)
Transfers	-	-	4,451	(4,451)	-
31 October 2014	55,000	182,567	267,087	1,897,906	2,402,560
Accumulated depreciation					
1 November 2013	-	38,122	160,910	1,273,965	1,472,997
Charge for the year	-	4,392	18,244	128,270	150,906
Relieved on disposals	-	-	-	(8,730)	(8,730)
31 October 2014	-	42,514	179,154	1,393,505	1,615,173
Net book value					
31 October 2014	55,000	140,053	87,933	504,401	787,387

Included in the table above are amounts totaling $14,430,000 (2014 – $14,430,000) representing the revalued amount of land and buildings which has been used as the deemed cost of these assets under the provision of IFRS 1 on transition to IFRS on 1 November 2002. Subsequent additions and other property and equipment are shown at cost. Equipment, furniture and vehicles include $200,361,000 (2014 - $239,328,000) relating to work-in-progress on which no depreciation has been charged.

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10. Deferred Income Taxes

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 33⅓% (2014 - 33⅓%).

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities. The amounts determined after appropriate setting off are as follows:

	2015 $'000	2014 $'000
Deferred tax assets	917,539	1,070,770
Deferred tax liabilities	(350,396)	(406,364)
	567,143	664,406

The movement in the deferred income tax account was as follows:

	2015 $'000	2014 $'000
Balance as at 1 November	664,406	539,075
Charge to the statement of income (Note 28)	(57,277)	(17,931)
(Charge)/Credit to other comprehensive income (Note 30)	(39,986)	143,262
Balance as at 31 October	567,143	664,406

Deferred income tax assets and liabilities were attributable to the following items:

	2015 $'000	2014 $'000
Deferred tax assets:		
Accelerated tax depreciation	28,602	43,905
Loan loss provisions	245,353	287,339
Post-retirement medical and insurance benefits	25,721	28,006
Other provisions	98,197	93,913
Tax losses carried forward	519,666	617,607
	917,539	1,070,770
Deferred tax liabilities:		
Retirement benefit asset	214,829	221,457
Available for sale investments	4,646	4,289
Other provisions	130,921	180,618
	350,396	406,364
Net deferred tax asset	567,143	664,406

10. Deferred Income Taxes (continued)

Deferred income taxes are recognized on tax losses carried forward only to the extent that realization of the related tax benefit is probable.

The Bank has tax losses, subject to agreement with the Commissioner General of Tax Administration, Jamaica, amounting to $1,558,999,000 (2014 - $1,852,820,000). If unutilized, these tax losses can be carried forward indefinitely, however, the amount that can be utilized is restricted to 50% of chargible income (before prior year losses) in any one year.

11. Retirement Benefit Asset (Obligation)

Plan Characteristics, funding and risks

The Bank operates a pension scheme covering all permanent employees. The pension benefit is based on the best five consecutive years' earnings in the last ten years, multiplied by the years of credited service. The assets of the plan are held independently of the Bank's assets in a separate trustee fund. The scheme is valued by independent actuaries annually using the Projected Unit Credit Method. The latest actuarial valuation for IFRS purposes was carried out as at 31 October 2015.

Benefit changes

There were no material changes to the terms of the defined benefit pension or post-retirement medical benefit plans in 2015 or 2014.

Risks

The defined benefit pension and post-retirement medical benefit plans expose the Bank to actuarial risks, such as longevity risk, currency risk, interest rate risk, market (investment risks) and health care cost inflation risks arising in the relevant sectors.

Plan Governance

The Bank is responsible for the establishment of the plan and has oversight of its management and administration. The Bank's Board of Directors has delegated powers and authorities to a Pension Steering Committee ("PSC") and an Investment Sub-Committee ("ISC") as advisory sub-committees and delegated to each of them certain of its responsibilities in connection with the management and administration of the plan and the investment of plan assets. These are set out in the documented mandates for these committees. The day to day oversight of the management and administration of the plan is the responsibility of the Board of Trustees who ensure the plan is operated in accordance with the Trust Deed and Rules and local legislation and that all benefits are calculated and paid in accordance with the plan Rules. The Trustees have appointed an Investment Manager who holds the funds on behalf of the Trustees and invests the plan assets as directed by the Trustees. The PSC and ISC provide support and guidance to the Board of Trustees on matters such as investment strategy, risk management, funding and administration. The Trustees set the contribution rates, in consultation with the PSC, based on the results of the triennial actuarial funding valuation. The last actuarial valuation to determine the adequacy of funding done as at 31 October 2012 revealed that the scheme was adequately funded at that date. The investment strategy for the plan, as set out in the Statement of Investment Objectives, Policies and Procedures, is reviewed annually the Trustees in consultation with the ISC. The current plan assets include investments in locally quoted equities, bonds and real estate.

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11. Retirement Benefit Asset (Obligation) (Continued)

(a) Defined benefit pension scheme

Amounts recognized in the statement of financial position:

	2015 $'000	2014 $'000
Defined benefit pension scheme (Note 11(a))	644,486	664,370
Other post retirement benefits (Note 11(b))	(77,164)	(84,017)

	2015 $'000	2014 $'000
Fair value of plan asset	3,606,573	3,332,615
Present value of funded obligation	(2,962,087)	(2,668,245)
Asset in the statement of financial position	644,486	664,370

At 31 October 2015, pension plan assets include the Parent's ordinary stock units with a fair value of $37,884,000 (2014 – $34,138,000).

	2015 $'000	2014 $'000
Balance at 1 November	664,370	1,094,762
(Charge)/Credit for the year (Note 26)	(60,710)	20,522
Transfer of assets to pay contributions for defined contribution plan	(64,405)	(58,371)
Effect on statement of other comprehensive income (Note 30)	105,181	(394,157)
Other	-	1,564
Contributions paid	50	50
Balance at 31 October	644,486	664,370

The amounts recognised in the statement of income are as follows:

	2015 $'000	2014 $'000
Current service cost	77,541	66,638
Past service cost	33,325	-
Interest cost	248,959	231,522
Interest income	(312,076)	(334,401)
Adminstration and other non-plan investment management expenses	12,961	15,719
Included in staff costs (Note 26)	60,710	(20,522)
Actual return on plan assets	446,524	126,049

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11. Retirement Benefit Asset (Obligation) (Continued)

(a) Defined benefit pension scheme (Continued)

Changes in the fair value of plan asset are as follows:

	2015 $'000	2014 $'000
Fair value of plan asset at start of year	3,332,615	3,407,373
Asset transferred out of the plan	(64,405)	(58,371)
Actual return on plan asset (excluding amounts included in interest income)	446,524	126,049
Contributions	50	50
Benefits paid during year	(95,250)	(126,767)
Administration and other non-plan investment management expenses	(12,961)	(15,719)
Fair value of plan asset at end of year	3,606,573	3,332,615

Changes in the present value of obligation are as follows:

	2015 $'000	2014 $'000
Present value of obligation at start of year	2,668,245	2,312,611
Interest cost	248,959	231,522
Current service cost	77,541	66,638
Past service cost	33,325	-
Benefits paid during year	(95,250)	(126,767)
Actuarial gain on plan obligation	29,267	184,241
Present value of obligation at end of year	2,962,087	2,668,245

The Bank expects to contribute $50,000 (2014 - $50,000) to its defined benefit pension plan in the following year.

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11. Retirement Benefit Asset (Obligation) (Continued)

(a) Defined benefit pension scheme (continued)

The net remeasurement (losses)/gains recognized in statement of other comprehensive income was as follows:

	2015 $'000	2014 $'000
Actuarial (losses)/gains on defined benefit obligation arising from:		
- Financial assumptions	138,054	267,871
- Experience adjustments	(108,787)	(82,066)
Return on plan assets excluding interest income	(134,448)	208,352
Net remeasurement (losses)/gains recognized in OCI	(105,181)	394,157

The breakdown of the net obligations between active members and inactive and retired members is as follows:

	2015 $'000	2014 $'000
Active members	1,815,548	1,630,044
Inactive and retired members	1,146,539	1,038,201
	2,962,087	2,668,245

The average duration of the net asset/(obligations) at the end of the reporting period is as follows:

	2015	2014
Average duration, in years	19	20

The major categories of plan assets as a percentage of the fair value of total plan assets were as follows:

	2015 %	2014 %
Quoted equity instruments:		
Local	11	7
International	1	1
Quoted debt instruments:		
Government bonds	36	44
Corporate bonds	4	1
Real estate	21	23
Other assets	27	24
	100	100

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11. Retirement Benefit Asset (Obligation) (Continued)

(a) Defined benefit pension scheme (continued)

The principal actuarial assumptions used were as follows:

	2015	2014
	%	%
Discount rate	9.00	9.50
Future salary increases	7.50	8.00
Future pension increases	5.50	6.00

Defined benefit pension plan amounts for the current and previous four years were as follows:

	2015	2014	2013	2012	2011
	$'000	$'000	$'000	$'000	$'000
Fair value of plan assets	3,606,573	3,332,615	3,407,373	3,124,665	2,901,219
Present value of obligation	(2,962,087)	(2,668,245)	(2,312,611)	(2,015,520)	(1,978,414)
	644,486	664,370s	1,094,762	1,109,145	922,805

A quantitative sensitivity analysis for significant assumptions as at 31 October 2015 is shown below:

Assumption	Sensitivity level	Impact on net defined benefit pension plans	
		Increase	Decrease
		$'000	$'000
Discount rate	1.00%	2,463,632	3,612,599
Future salary increases	0.50%	3,066,423	2,864,504
Future pension increases	0.50%	3,147,110	2,793,322
Existing retiree age	1 year	3,050,539	N/A

A quantitative sensitivity analysis for significant assumptions as at 31 October 2014 is shown below:

Assumption	Sensitivity level	Impact on net defined benefit pension plans	
		Increase	Decrease
		$'000	$'000
Discount rate	1.00%	2,215,366	3,260,185
Future salary increases	0.50%	2,762,834	2,579,911
Future pension increases	0.50%	2,839,114	2,512,727
Existing retiree age	1 year	2,749,490	N/A

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

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11. Retirement Benefit Asset (Obligation) (Continued)

(a) Defined benefit pension scheme (continued)

The following payments are expected benefit payments to be made in future years out of the defined benefit plan:

	2015 $'000	2014 $'000
Within the next 12 months	60,375	60,671
Between 1 and 5 years	328,809	293,507
Between 5 and 10 years	715,587	666,512
Total expected payment	1,104,771	1,020,690

(b) Post-retirement medical benefits

In addition to pension benefits, the Bank offers medical benefits that contribute to the health care and life insurance coverage of employees and beneficiaries after retirement. The method of accounting and frequency of valuations are similar to those used for the defined benefit pension scheme.

In addition to the assumptions used for the pension scheme, the main actuarial assumption is a long-term increase in health costs of 6% - 9% per year (2014 – 6% - 10%).

A one percentage point change in the assumed rate of increase in medical costs would have the following effects:

A quantitative sensitivity analysis for significant assumption as at 31 October 2015 is as shown below:

Assumption	Sensitivity level	Impact on post-retirement medical benefits	
		Increase $'000	Decrease $'000
Discount rate	1%	70,734	84,688
Medical premium inflation	1%	85,143	70,259
Existing retiree age	1 year	79,468	N/A

A quantitative sensitivity analysis for significant assumption as at 31 October 2014 is as shown below:

Assumption	Sensitivity level	Impact on post-retirement medical benefits	
		Increase $'000	Decrease $'000
Discount rate	1%	76,850	92,404
Medical premium inflation	1%	92,886	76,358
Existing retiree age	1 year	86,492	N/A

	2015 $'000	2014 $'000
Present value of unfunded obligations and liability in the statement of financial position	77,164	84,017

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11. Retirement Benefit Asset/(Obligation) (Continued)

(b) Post-retirement medical benefits (continued)

	2015 $'000	2014 $'000
Obligation at beginning of year	84,017	53,811
Charge for the year (Note 26)	9,415	5,614
Employer contributions	(2,566)	(2,378)
Effect of statement of other comprehensive income (Note 30)	(13,702)	25,320
Other	-	1,650
Obligation at end of year	77,164	84,017

The amounts recognised in the statement of income are as follows:

	2015 $'000	2014 $'000
Current service cost	77	170
Past service cost – vested benefits	1,478	-
Interest cost	7,860	5,444
Total included in staff costs (Note 26)	9,415	5,614

The net re-measurement gain/(loss) recognized in the statement of other comprehensive income was as follows:

	2015 $'000	2014 $'000
Actuarial gains(losses) on defined benefit obligation arising from:		
- Financial adjustments	(2,804)	10,278
- Experience adjustments	(10,898)	15,042
Net re-measurement (losses)/gains recognized in OCI	(13,702)	25,320

The breakdown of the obligation between active members and inactive and retired members is as follows:

	2015 $'000	2014 $'000
Active members	-	3,538
Inactive and retired members	77,164	80,479
	77,164	84,017

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11. Retirement Benefit Asset/(Obligation) (Continued)

(b) Post-retirement medical benefits (continued)

The average duration of the obligation at the end of the reporting period of the obligation is as follows:

	2015	2014
Average duration, in years	9	9

12. Customer Deposits

	2015 $'000	2014 $'000
Individuals	22,319,462	20,805,907
Business and Government	24,824,371	18,547,618
Banks	8,658,458	5,455,896
	55,802,291	44,809,421
Interest payable	175,710	62,869
	55,978,001	44,872,290

13. Securities Sold Under Agreements to Repurchase

	2015 $'000	2014 $'000
Government securities sold under agreements to repurchase	-	1,498,278
Interest payable	-	24,717
	-	1,522,995

14. Other Liabilities

	2015 $'000	2014 $'000
Accounts payable and accruals	788,449	1,865,824
Items in transit, net	164,380	-
Other taxation payable	21,758	307,363
Other	69,560	49,960
	1,044,147	2,223,147

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15. Debt Securities in Issue

	2015 $'000	2014 $'000
Notes due 2018	3,000,000	-
Add: interest payable	70,705	-
	3,070,705	-

During the year, the Bank issued redeemable medium term notes ("the notes") with a par value of $3,000,000,000. The notes are denominated in Jamaican dollars and interest thereon is payable semi-annually in arrears. The interest rate on the notes is fixed at 9.25% for the first year; and variable at the 6-month Jamaica Treasury Bill Tender (WATBY) plus 190 basis points for years 2 and 3. The average effective interest rate during 2015 was 9.25%. The principal repayment of the notes is due at maturity in 2018. However, the Bank has the option of redeeming the notes without penalty, after the passing of two interest payment periods. The notes and any interest payable thereon, are guaranteed by the ulitimate parent.

16. Share Capital and Reserves

	2015 No. of shares (000)	2014 No. of shares (000)
Share Capital		
Authorised -		
Ordinary shares of no par value	300,000	300,000
'A' ordinary shares of no par value	900,000	900,000
	1,200,000	1,200,000

	2015 $'000	2014 $'000
Issued and fully paid -		
Share capital at beginning and end of year -		
265,756,730 (2014 – 265,756,730) ordinary stock units of no par value	1,396,667	1,396,667
528,000,000 (2014 – 528,000,000) 'A' ordinary shares of no par value	7,068,591	7,068,591
	8,465,258	8,465,258

Objectives, policies and procedures

Capital strength provides protection for depositors and creditors, allows the Bank to undertake profitable business opportunities as they arise and helps maintain favourable credit ratings.

The Bank's objective is to employ a strong and efficient capital base. It manages capital in accordance with policies established by the Board. These policies relate to capital strength, capital mix, dividends and return of capital, and the capital adequacy requirements applicable to a regulated entity. Each policy has associated guidelines, and capital is monitored continuously for compliance.

There were no significant changes made in the objectives, policies and procedures during the year.

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16. Share Capital and Reserves (Continued)

Objectives, policies and procedures (Continued)

Regulatory requirements

The Bank's regulatory capital requirements are determined in accordance with guidelines issued by the Central Bank of Jamaica. These guidelines evolve from the framework of risk-based capital standards developed by the Basel Committee, Bank of International Settlement.

Regulatory capital consists of Tier 1 and Tier 2 capital, less certain deductions. Tier 1 capital is comprised of common stock, plus certain approved reserves, less goodwill and other deductions. Tier 2 capital principally comprises hybrid capital instruments.

Capital standards require that banks maintain minimum Tier 1 and Total Capital ratios of 4% and 8%, respectively. The Central Bank of Jamaica has established that Jamaican deposit-taking financial institutions maintain a total capital ratio of 10% and that Tier 2 capital is limited to 100% of Tier 1. During the year, the Bank complied in full with all of its regulatory capital requirements, as follows:

Tier 1 and Total Capital ratios were: 29% and 29%, respectively (2014 – 30.73% and 30.73%).

Reserves

	2015 $'000	2014 $'000
Capital reserves (Note 17)	12,833	12,833
Fair value reserves – available-for-sale investment securities (Note 18)	9,293	8,576
Retirement benefit reserve (Note 19)	(97,196)	(176,451)
Statutory reserve fund (Note 20)	2,546,667	2,546,667
Retained earnings reserve (Note 21)	2,616,163	2,616,163
Loan loss reserve (Note 22)	636,225	369,263
General reserve (Note 23)	45,522	45,522
Total reserves at end of the year	5,769,507	5,422,573

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17. Capital Reserves

	2015 $'000	2014 $'000
Comprised:		
Unrealised –		
Surplus on revaluation of premises	5,493	5,493
Realised –		
Profit on sale of property and equipment	7,340	7,340
Balance at end of year	12,833	12,833

18. Fair Value Reserves – Available For Sale Investment Securities

	2015 $'000	2014 $'000
Balance at beginning of year	8,576	14,425
Net fair value gains/(losses) on available-for-sale investments during the year (Note 30)	717	(5,849)
Balance at end of the year	9,293	8,576

19. Retirement Benefit Reserve

	2015 $'000	2014 $'000
Balance at beginning of year	(176,451)	102,690
Re-measurement gains/(losses) on retirement benefit plans during the year (Note 30)	79,255	(279,141)
Balance at end of year	(97,196)	(176,451)

Gains and losses arising from re-measurement of retirement benefit plans in other comprehensive income are reflected in this reserve.

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20. Statutory Reserve Fund

	2015 $'000	2014 $'000
Balance at beginning and end of the year	2,546,667	2,546,667

The fund is maintained in accordance with the Banking Services Act 2014 (2014: Banking Act 1992). This requires that minimum prescribed percentages of net income be transferred to the reserve fund until the amount in the fund is not less than paid up share capital. On 15 December 2015 the Board of Directors approved the transfer of $30,000,000 from retained earnings to the statutory reserve fund effective 31 January 2016. The transer will be done based on the net profits for the year ended 31 October 2015.

21. Retained Earnings Reserve

	2015 $'000	2014 $'000
Balance at beginning and end of year	2,616,163	2,616,163

Section 41(1) of the Banking Services Act 2014 (2014: Section 2 of the Banking Act 1992), permit the transfer of any portion of net profit to a retained earnings reserve. This reserve constitutes a part of the capital base for the purpose of determining the maximum level of deposit liabilities and lending to customers.

Transfers to the retained earnings reserve are made at the discretion of the Board; such transfers must be notified to the Bank of Jamaica.

22. Loan Loss Reserve

	2015 $'000	2014 $'000
Balance at beginning of year	369,263	369,263
Transfer from accumulated deficit	266,962	-
Balance at end of the year	636,225	369,263

This is a non-distributable reserve representing the excess of the provision for loan losses determined using the Bank of Jamaica's regulatory requirements over the amount determined under IFRS (Note 8).

23. General Reserve

	2015 $'000	2014 $'000
Balance at beginning and end of the year	45,522	45,522

This represents a transfer by the former Subsidiary, FirstCaribbean International Building Society, on amalgamation for amounts transferred from retained earnings to a general reserve on a tax free basis.

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24. Net Interest Income

	2015 $'000	2014 $'000
Interest and similar income:		
Cash and balances due from banks	115,126	52,750
Investment securities	380,795	424,888
Loans and advances	3,231,969	3,047,374
Repurchase agreements and other	2,113	-
	3,730,003	3,525,012
Interest and similar expense:		
Customer deposits	(723,326)	(613,902)
Debt securities in issue	(213,218)	-
Other	(45,448)	(109,589)
	(981,992)	(723,491)
Net interest income	2,748,011	2,801,521

25. Other Operating Income

	2015 $'000	2014 $'000
Net fees and commissions	752,106	748,641
Foreign exchange transactional net gains	362,716	334,392
Foreign exchange revaluation net gains	395,734	540,330
Securities net losses	(9,107)	(8,779)
Other operating income	42,570	36,303
	1,544,019	1,650,887

Foreign exchange transactional net gains include gains and losses arising from foreign currency trading activities.

26. Operating Expenses

	2015 $'000	2014 $'000
Staff costs	1,300,214	1,445,157
Depreciation	176,229	150,906
Occupancy costs	364,819	400,423
Other operating expenses	2,205,928	2,232,286
	4,047,190	4,228,772

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26. Operating Expenses (Continued)

Analysis of staff costs:

	2015 $'000	2014 $'000
Wages and salaries	853,305	943,630
Pension costs –		
Defined benefit plan (Note 11)	60,710	(20,522)
Defined contribution plan	56,931	57,949
Other post retirement benefits (Note 11)	9,415	5,614
Other share and cash-based benefits (Note 38)	8,154	6,602
Severance	15,114	110,569
Other staff-related costs	296,585	341,315
	1,300,214	1,445,157

27. Profit/(Loss) Before Taxation

Profit/(Loss) before taxation is stated after charging:

	2015 $'000	2014 $'000
Depreciation	176,229	150,906
Directors' emoluments-		
Fees	3,243	3,269
Management remuneration	29,811	22,515
Management fees	893,723	1,149,168
Auditors' remuneration-		
Current year	12,464	11,704
Prior year	-	460

28. Income Tax Expense

(a) The taxation expense is based on the profit/(loss) for the year adjusted for taxation purposes and comprises:

	2015 $'000	2014 $'000
Current year income tax	97,223	-
Tax on income at source and minimum business tax	1,646	755
Adjustment to prior year provision	-	2,193
	98,869	2,948
Deferred tax charge (Note 10)	57,277	17,931
	156,146	20,879

Income tax is calculated at the rate of 33⅓%.

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28. Income Tax Expense (Continued)

(b) Tax on the Bank's income before tax differs from the theoretical amount that would arise using the statutory tax rate for the Bank as follows:

	2015 $'000	2014 $'000
Profit/(Loss) before taxation	332,066	(11,648)
Tax calculated at 33⅓%	110,689	(3,883)
Effect of :		
Prior year under-provision	-	2,193
Income not subject to tax	(2,148)	(3,095)
Expense not subject to tax	43,833	24,440
Other charges and allowances	3,772	1,224
	156,146	20,879

29. Earnings/(Loss) Per Stock Unit

Earnings/(Loss) per ordinary stock unit for the Bank is calculated by dividing the net profit/(loss) for the year by the weighted average number of ordinary stock units in issue:

	2015	2014
Net profit/(loss) for the year ($'000)	175,920	(32,527)
Weighted average number of ordinary stock units in issue ('000)	793,757	793,757
Earnings/(Loss) per stock unit ($)	0.22	(0.04)

30. Components of Other Comprehensive Income

	2015 $'000	2014 $'000
Available-for-sale investment securities:		
Gains/(Losses) arising during the year	1,075	(8,775)
Less: Deferred tax	(358)	2,926
Other comprehensive gains/(losses) for the year (Note 18)	717	(5,849)
Re-measurement on retirement benefit plans:		
Gains/(Losses) arising during the year	118,883	(419,477)
Less: Deferred tax	(39,628)	140,336
Other comprehensive gains/(losses) for the year (Note 19)	79,255	(279,141)
Total other comprehensive gains/(losses) for the year, net of tax	79,972	(284,990)

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31. Related Party Transactions

In the ordinary course of business, the Bank provides to its connected persons normal banking services on terms similar to those offered to persons not connected to the Bank.

(a) Transactions and balances with FirstCaribbean entities and their associates

	2015	2014
	$'000	$'000
FirstCaribbean International Bank Limited:		
Net payable	154,467	1,316,555
Management fee expense	893,723	1,149,168
Other FirstCaribbean entities:		
Interest income	30,052	13,697
Interest expense	149,339	82,464
Net receivable	40,154	240,094
Deposits by other FirstCaribbean entities	8,747,711	5,494,640
Securities sold under agreements to repurchase	-	490,982
Interest expense on securities sold under agreements to repurchase	23,249	29,655
Money market placements	13,478,074	8,900,163
Affiliates:		
CIBC:		
Interest income	3,122	4,389
Interest expense	-	245
Customer deposits	8,825	8,178
Money market placements (Note 4)	970,614	1,136,571
Loans and advances to customers	95	95
Derivative financial instruments	97	423
Interest expense derivative	630	1,108

The net payable to the Parent includes an amount of $79,730,000 (US$670,000) (2014: $148,736,000 (US$1,328,000)) related to loan losses recovered.

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31. Related Party Transactions (Continued)

(b) Transactions and balances with directors

	2015 $'000	2014 $'000
Loans outstanding	12,279	17,506
Deposits	23,653	36,451
Interest income	906	2,130
Interest expense	635	1,130
Directors' fees	3,243	3,269
Management remuneration paid (included below)	29,811	22,515

(c) Key management remuneration paid during the year

	2015 $'000	2014 $'000
Wages and salaries	101,053	111,277
Statutory contributions	10,647	10,710
Severance	3,492	10,909
Post retirement benefits	12,799	13,014
Other long term benefits	2,295	1,783

32. Commitments

(a) Future rental commitments under operating leases

At 31 October 2015, the Bank held leases on buildings for extended periods. The future rental commitments under these leases were as follows:

	2015 $'000	2014 $'000
Not later than 1 year	278,641	252,784
Later than 1 year and less than 5 years	838,400	806,064
Later than 5 years	333,478	444,528
	1,450,519	1,503,376

During the year, $272,325,000 (2014 - $242,597,000) of lease payments was charged to net income.

(b) Other

The following table indicates the contractual amounts of financial instruments not presented in the statement of financial position that commit the Bank to extend credit to customers:

	2015 $'000	2014 $'000
Guarantees and indemnities	769,689	1,137,401
Letters of credit	2,178,731	2,332,359
Loan commitments	5,692,194	5,112,122
	8,640,614	8,581,882

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33. Contingencies

The Bank, because of the nature of its business, is subject to various threatened or filed legal actions. At 31 October 2015 material claims filed amounted to approximately $2,042,553,000 (2014 - $2,051,145,000). The majority of this amount relates to a specific counter claim of approximately $2,001,319,000 (2014 - $1,999,997,000), filed by a former customer against the Bank. Another counter claim was brought against the former customer by the Bank for approximately $565,004,000 (2014 – $531,769,000). Although the amount of the ultimate exposure, if any, cannot be determined at this time, the Directors are of the opinion, based upon the advice of Counsel, that the final outcome of threatened or filed suits will not have a material adverse effect on the financial position of the Bank.

34. Pledged Assets

Mandatory reserve deposits are held by the Bank of Jamaica in accordance with statutory requirements. These deposits are not available to finance the Bank's day to day operations. In addition, assets are pledged as collateral for possible shortfall in the Bank of Jamaica operating account as well as to other third parties under various other agreements. These are as follows:

	Asset		Related Liability	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Cash and balances with Central Bank				
Statutory reserves at Bank of Jamaica (Note 3)	5,539,686	4,347,779	-	-
Investment securities – bonds & debentures:				
Regulatory liquid assets reserve requirement	3,646,542	2,614,683	-	-
Pledged as security to other institutions; including amounts under agreements to repurchase (Note 13)	118,671	1,768,677	-	1,522,995
	9,304,899	8,731,139	-	1,522,995

FirstCaribbean International Bank (Jamaica) Limited

35. Business Segments

The Bank's operations are organised into two business segments, Retail and Business Banking and Wholesale Banking which are supported by the functional units within the Administration segment (which includes Finance, Human Resources, Technology and Operations, Treasury, Risk and other).

Retail and Business Banking
This line of business provides a full range of financial products and services to individuals and small businesses. Clients can access the Bank's services and products through its network of branches as well as, use the convenience of ABMs, Internet Banking, Telephone Banking and Cards Issuing as well as Card Merchant Acquiring services.

Wholesale Banking
This line of business comprises three sub-segments: Corporate Banking, Investment Banking and Client Solutions Group.

Corporate Banking provides a full range of corporate and commercial banking services, including Cards Merchant Acquiring business, to large and mid-size corporate businesses, governments, financial institutions, international trading companies and private wealth vehicles throughout Jamaica. Investment Banking provides debt and equity capital markets and corporate finance products and services to large corporations, financial institutions and governments. The Client Solutions Group deals with transactions relating to financial instruments (derivatives) and foreign exchange.

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on economic profits, which for the total of all segments is equal to net income before taxes reflected on the financial statements. Economic profits include funds transfer pricing, management allocations, and other charges for the segments' use of capital.

Income taxes are managed on a Bank basis and are not allocated to business segments. Transactions between the business segments are on normal commercial terms and conditions.

Segment assets and liabilities comprise assets and liabilities, being the majority of the statement of financial position, but exclude items such as taxation and intangible assets. Securities and cash placements are normally held within the Treasury unit within the Administration segment.

The Administration segment results include the earnings on excess capital as well as the offset to the capital charges that have been allocated to Retail and Wholesale Banking.

The Bank's operations are located solely in Jamaica.

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35. Business Segments (Continued)

	Retail & Business Banking $'000	Wholesale Banking $'000	Administration $'000	Total $'000
31 October 2015				
External revenues	2,360,476	1,942,484	971,062	5,274,022
Revenues from/(to) other segments	613,367	(196,128)	(417,239)	-
Total revenues	2,973,843	1,746,356	553,823	5,274,022
(Loss)/Income before taxation	(526,101)	621,601	236,566	332,066
Taxation charge				(156,146)
Net income for the year				175,920
Segment assets	16,656,399	21,559,188	35,469,060	73,684,647
Unallocated assets				538,359
Total assets				74,223,006
Total liabilities	31,019,276	16,475,535	12,675,273	60,170,084
Other segment information				
Interest income	2,315,526	1,163,246	251,231	3,730,003
Interest expense	342,751	229,017	410,224	981,992
Capital expenditure	300,435	-	227,104	527,539
Depreciation	81,963	2,846	91,420	176,229
Loan impairment losses	(30,867)	(56,359)	-	(87,226)

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35. Business Segments (Continued)

	Retail & Business Banking $'000	Wholesale Banking $'000	Administration $'000	Total $'000
31 October 2014				
External revenues	2,202,519	1,866,533	1,106,847	5,175,899
Revenues from/(to) other segments	851,468	(102,357)	(749,111)	-
Total revenues	3,053,987	1,764,176	357,736	5,175,899
(Loss)/Income before taxation	(1,182,351)	671,217	499,486	(11,648)
Taxation charge				(20,879)
Loss for the year				(32,527)
Segment assets	15,014,346	18,407,880	28,285,935	61,708,161
Unallocated assets				791,663
Total assets				62,499,824
Total liabilities	29,334,017	10,172,560	9,196,217	48,702,794
Other segment information				
Interest income	2,200,863	978,171	345,978	3,525,012
Interest expense	331,960	169,981	221,550	723,491
Capital expenditure	90,983	51	266,556	357,590
Depreciation	72,085	3,112	75,709	150,906
Loan impairment losses	391,417	(156,133)	-	235,284

36. Financial Risk Management

(a) Strategy in using financial instruments

By its nature, the Bank's activities are principally related to the use of financial instruments. The Bank accepts deposits from customers at both fixed and floating rates and for various periods and seeks to earn above average interest margins by investing these funds in high quality assets. The Bank seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates whilst maintaining sufficient liquidity to meet all claims that might fall due.

The Bank also seeks to raise its interest margins by obtaining above average margins, net of provisions, through lending to commercial and retail borrowers with a range of credit standing. Such exposures involve not just loans and advances which are disclosed on the statement of financial position, but the Bank also enters into guarantees and other commitments such as letters of credit and performance and other bonds.

(b) Credit risk

Credit risk primarily arises from direct lending activities, as well as from trading, investment and hedging activities. Credit risk is defined as the risk of financial loss due to a borrower or counter party failing to meet its obligations in accordance with agreed terms.

Process and Control

The Credit Risk Management Department (CRMD) is responsible for the provision of the Bank's adjudication, oversight and management of credit risk within its portfolios, including the measurement, monitoring and control of credit risk.

The CRMD's credit risk approval authority flows from the Board of Directors and are further delegated to the Chairman and the Chief Risk Officer (CRO). The department is guided by the Bank's Delegation of Authority Policy. Delegation is based on exposure and risk level; where the credit decision relates to larger and or higher risk transactions the Credit Committee (CC) is responsible for the final decision.

The Risk and Conduct Review Committee (R&CRC) is responsible for approving policy requirements and key risk limits.

Credit Risk Limits

Credit limits are established for all loans (mortgages, personal and business & government) for the purposes of diversification and managing concentration. These include limits for individual borrowers, Banks of related borrowers, industry sectors, and products or portfolios. The Bank does not have excessive concentration in any single borrower, or related Bank of borrowers, or industry sector.

Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances to customers are:

- Mortgages over residential properties;
- Charges over business assets such as premises, inventory and accounts receivable;
- Charges over financial instruments such as debt securities and equities.

The Bank's credit risk management policies include requirements relating to collateral valuation and management, including verification requirements and legal certainty. Valuations are updated periodically depending upon the nature of the collateral. Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement during its periodic review of loan accounts in arrears. Policies are in place to monitor the existence of undesirable concentration in the collateral supporting the Bank's credit exposure.

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36. Financial Risk Management (Continued)

(b) Credit risk (continued)

Exposures by Industry Groups

The following table provides an industry-wide break down of total exposures by industry groups:

	2015			2014		
	Loans and Leases $'000	**Acceptances, Guarantees and Letters of Credit $'000**	**Total 2015 $'000**	**Loans and Leases $'000**	**Acceptances, Guarantees and Letters of Credit $'000**	**Total 2014 $'000**
Agriculture, fishing and mining	1,170,187	187,633	1,357,820	891,863	3,733	895,596
Construction	194,294	-	194,294	297,928	-	297,928
Distribution	5,842,293	2,058,238	7,900,531	6,436,693	1,954,565	8,391,258
Electricity, gas and water	4,248,386	631,700	4,880,086	1,022,731	1,301,697	2,324,428
Financial institutions	56,783	500	57,283	71,486	366,276	437,762
Government and public entities	3,981,233	-	3,981,233	4,036,792	-	4,036,792
Manufacturing and production	917,278	16,465	933,743	889,850	14,303	904,153
Personal	14,715,244	3,300,649	18,015,893	12,229,287	2,648,559	14,877,846
Professional and other services	2,286,075	2,440,417	4,726,492	3,255,345	2,283,266	5,538,611
Tourism and entertainment	3,310,094	475	3,310,569	2,692,996	726	2,693,722
Transport, storage and communication	1,893,695	4,537	1,898,232	2,337,792	8,757	2,346,549
Total	38,615,562	8,640,614	47,256,176	34,162,763	8,581,882	42,744,645
Provision for credit losses			(1,038,465)			(1,187,531)
			46,217,711			41,557,114

Impaired Financial Assets and Provision for Credit Losses

The Bank takes on exposure to credit risk, which is the risk that a counter party will be unable to pay amounts in full when due. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one counterparty, borrower, or groups of borrowers, and to industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review.

The exposure to any one counterparty including banks and brokers is further restricted by sub-limits which include exposures not recognised in the statement of financial position. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral including corporate and personal guarantees.

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36. Financial Risk Management (Continued)

(b) Credit risk (continued)

Derivatives

The Bank maintains strict control limits on net open derivative positions, that is, the difference between purchase and sale contracts, by both amount and term. At any one time the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Bank (i.e. assets), which in relation to derivatives is only a small fraction of the contract or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Bank requires margin deposits from counterparties.

Master Netting Arrangements

The Bank further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of assets and liabilities presented on the statement of financial position, as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Bank's overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period since it is affected by each transaction subject to the arrangement.

Credit Related Commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipments of goods to which they relate and therefore, carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term of maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Maximum Exposure to Credit Risk

The maximum exposure to credit risk would be all statement of financial position carrying values of all financial assets plus the contingent liabilities and commitments [these disclosures are shown in Note 32(b)] not recognised in the statement of financial position. The gross maximum exposure would be before allowance for credit losses and the effect of mitigation through the use of master netting and collateral arrangements. The maximum exposure to credit risk within the customer loan portfolio would be all the statement of financial position carrying values plus the loan commitments [these disclosures are shown in Note 32(b)] not recognised in the statement of financial position. The gross maximum exposure within the customer loan portfolio would be before provision for credit losses and the effect of mitigation through the use of master netting and collateral arrangements, plus the loan commitments amount not recognised in the statement of financial position.

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36. Financial Risk Management (Continued)

(c) Geographical concentration of assets, liabilities, off-balance sheet items, revenues and capital expenditure

The Bank operates in only the Jamaican geographical market.

(d) Credit rating system and credit quality per class of financial assets

Credit Quality
A mapping between the Bank's internal ratings and the ratings used by external agencies is shown in the table below. As part of the Bank's risk-rating methodology, the risk assessed includes a review of external ratings of the obligor. The obligor rating assessment takes into consideration the Bank's financial assessment of the obligor, the industry, and the economic environment of the country in which the obligor operates. In certain circumstances, where a guarantee from a third party exists, both the obligor and the guarantor will be assessed.

	Loans and advances to customers	**Investment securities**	
Grade Description	**Days past due**	**Standards & Poor's equivalent**	**Moody's Investor Services**
High grade	0-7	AAA to BBB-	Aaa to Baa3
Standard	8-60	BB+ to B-	Ba to B3
Substandard	61-89	CCC+ to CC	Caa1 to Ca
Impaired	90+	D	C

A credit scoring methodology is used to assess personal customers and a grading model is used for Corporate clients. As well, an ageing analysis of the portfolio assists in the development of a consistent internal-risk rating system. This risk rating system is used for portfolio management, risk limit setting, product pricing, and in the determination of economic capital.

The effectiveness of the risk rating system and the parameters associated with the risk ratings are monitored within Credit Risk Management and are subject to an annual review.

At the reporting date, investments securities were all rated standard or high grade. Cash balances and amounts due from banks are held with counterparties that are standard, high grade or CIBC group entities.

The table below shows the credit quality by class of asset for gross loans and advances to customers, based on our internal credit rating system. Amounts provided are before allowance for credit losses, and after credit risk mitigation, valuation adjustments related to the financial guarantors, and collateral on agreements.

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36. Financial Risk Management (Continued)

(d) Credit rating system and credit quality per class of financial assets (Continued)

Credit Quality (Continued)

	2015				
	Performing				
Grade description	**High Grade $'000**	**Standard Grade $'000**	**Sub Standard Grade $'000**	**Impaired $'000**	**Total $'000**
Loans and advances to customers:					
Mortgages	7,652,216	767,147	87,419	756,159	9,262,941
Personal loans	5,482,110	206,128	73,358	447,322	6,208,918
Business & government loans	22,715,754	49,478	69	378,402	23,143,703
Total	35,850,080	1,022,753	160,846	1,581,883	38,615,562

	2014				
	Performing				
Grade description	**High Grade $'000**	**Standard Grade $'000**	**Sub Standard Grade $'000**	**Impaired $'000**	**Total $'000**
Loans and advances to customers:					
Mortgages	7,330,423	461,481	151,018	786,940	8,729,862
Personal loans	4,879,098	138,440	17,329	456,176	5,491,043
Business & government loans	18,807,889	733,127	3,141	397,701	19,941,858
Total	31,017,410	1,333,048	171,488	1,640,817	34,162,763

For business and government loans, the Bank further employs risk ratings in managing the credit portfolio. Business and government borrowers with elevated default risk are monitored on the Early Warning List. Early Warning List characteristics include borrowers exhibiting a significant decline in revenue, income, or cash flow or where the Bank has doubts as to the continuing viability of the business. Early Warning List customers are often also delinquent, but this is not always the case. As of 31 October 2015, Early Warning List customers in the medium to high risk category amounted to $613,940,000 (2014 - $955,809,000).

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36. Financial Risk Management (Continued)

(e) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables. Market risk arises from positions in securities and derivatives as well as from the core retail, wealth and wholesale banking businesses. The key risks to the Bank are foreign exchange, interest rate and, to a far less extent, credit spread. Management of market risk within the Bank is centralized at the Parent which mirrors the way that the hard currencies are managed by Treasury Sales and Trading and although the local currency exposures are managed in their respective geographic regions, these exposures are still monitored, measured and controlled centrally from a market risk perspective. The Bank classifies market risk exposures into trading and non-trading. For Jamaica virtually all of the positions fall into the latter with currently just foreign exchange being considered trading. Due to the relatively small size of the trading portfolio the key types of measures used for market risk are not segregated from the non-trading book therefore the following sections give a comprehensive review of the Bank's entire exposures.

Policies and Standards:
The Parent Bank has a comprehensive policy for market risk management related to its identification and to the measurement, monitoring and control of those risks. This policy is reviewed and approved annually by the Risk and Conduct Review Committee. The policy includes the annual approval of the Board limits which is used by the Parent Bank to establish explicit risk tolerances expressed in terms of the four main risk measures mentioned below. There is a three tiered approach to limits at the Parent Bank. The highest level are those set at the Board level, and the second level which includes a "haircut" from the Board limits are the Chief Risk Officer limits. The third level of limits is for the Treasury Sales and Trading Bank, which limits traders to specific size of deal, documented through a formal delegation letter and these are monitored using the Bank's Acumen system.

Process and Control:
Market risk measures are monitored with differing degrees of frequency dependent upon the relative risk and speed with which the risk changes. FX positions, Value at Risk (VaR) and certain profit & loss measures are all measured daily whereas others such as stress tests and credit spread sensitivity are performed on either a weekly or monthly basis. Detailed market risk compliance reports are produced and circulated to senior management on a daily, weekly and monthly basis and a summary version is reported quarterly to the Parent Bank Board. A summary of key risks is also presented to the local Board on a quarterly basis.

Risk Measurement:
The Bank has four main measures of market risk:

- Outright position, used predominantly for FX,
- Sensitivity to a 1 basis point move in a curve, used for both interest rate and credit spread risk,
- Value at Risk (VaR) measures for both interest rate risk and for non pegged currencies
- Stress scenarios based upon a combination of theoretical situations and historical events.

Position:
This risk measurement is used predominantly for the Bank's foreign exchange business. The measure produced and reported daily focuses upon the outright long or short position in each currency from both a pre-structural and post structural basis. Any forward contracts or FX swaps are also incorporated.

36. Financial Risk Management (Continued)

(e) Market risk (continued)

Sensitivity:
The main two measures utilized by the Bank are the DV01 (delta value of a 1 basis point move, also known as the PV01 or Present value of a 1 basis point move) and the CSDV01 (Credit Spread Delta of a 1 basis point move). The DV01 measure is calculated for a 1 basis point move down in the yield curve. This generates the effect on earnings by individual currency of a parallel shift down in the related yield curve. As curves rarely move in a parallel fashion it is measured across different tenors to ensure that there is no further curve risk of having for example a long position in the short end of the curve offset by a short position in the longer tenors. This is then utilized within the scenario analysis. The sensitivities are calculated using two different approaches: a pre-structural basis that focuses upon predominantly contractual date positions and also a post-structural basis that considers core balances for non contractual maturities as well as assigning risk to capital and non product general ledger accounts as well as considering market specific pricing situations that exist in the region.

Value at Risk:
The Bank's Value at Risk ("VaR") methodology utilizes the tested and validated CIBC models. It is a statistically and probability based approach that uses volatilities and correlations to quantify risk into dollar terms. VaR measures the potential loss from the adverse market movements that can occur overnight with a less than one percent probability of occurring under normal market conditions, based on equally weighted historical data. VaR uses numerous risk factors as inputs and is computed through the use of historical volatility of each risk factor and the associated correlations among them, evaluated over a one year period and updated on a regular basis. The use of these historical measures do cause a degree of limitation to its accuracy as it assumes that future price movements will follow a statistical distribution and thus may not clearly predict the future impact. The fact that VaR is an end of day measure and thus does not take into account intra moves is not a significant issue for the Bank as neither the trading nor non trading portfolios are that active and the FX is controlled via trade and volume size limits. A further weakness of the VaR measure is that it does not estimate the effects of market variable moves outside of the ninety-nine percent parameter and hence may underestimate losses. To counter this, the Bank has various stress measures to calculate potential tail event losses.

36. Financial Risk Management (Continued)

(e) Market risk (continued)

Stress Testing & Scenario Analysis:
Stress testing and scenario analysis are designed to add insight to possible outcomes of abnormal (or tail event) market conditions and to highlight where risk concentrations could be a concern.

The Bank has two distinct approaches as follows:

- For the hard currency testing it sends its position sensitivity to CIBC and utilizes the suite of measures that the parent company has developed. The stress testing measures the effect on the Bank's hard currency portfolio values over a wide range of extreme moves in market prices. The stress testing methodology assumes no actions are taken or are able to be taken during the event to mitigate the risk, reflecting the decreased liquidity that frequently accompanies market shocks. The scenario analysis approach for the Bank's hard currency exposures simulate an impact on earnings of extreme market events up to a period of one quarter. Scenarios are developed using actual historical data during periods of market disruption, or are based upon hypothetical occurrence of economic or political events or natural disasters and are designed by the parent company's economists, business leaders and risk managers. These tests are run on a weekly basis.

- The local currency stress tests are designed on a similar but smaller scale. For interest rate stresses, Market Risk in conjunction with Treasury Sales & Trading consider the market data over approximately the last ten years and identify the greatest curve or data point moves over both sixty day and single day periods. These are then applied to the existing positions/sensitivities of the Bank. This is performed and reported on a monthly basis as they do not tend to change rapidly. For foreign exchange stresses the Bank considers what the effect of either a revaluation or devaluation of the JMD would have on the earnings of the Bank. This is backed by reviews of historical data and considers the worst case that the Bank would be unable to exit the position rapidly.

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36. Financial Risk Management (Continued)

(e) Market risk (continued)

Foreign Exchange Risk
Foreign exchange (or currency) risk is defined as the risk that the value of a financial instrument will fluctuate as a result of changes in foreign exchange rates. Since the JMD is not pegged to the USD, the VaR measure can be used. However, due to some of the known inherent weaknesses of the VaR methodology, emphasis is placed particularly on the overall position limit and the related stress tests. The Parent Board has set limits on Total Positions (Structural plus country) by currency while Credit Risk Officer limits are utilized at the country or trading level Positions are monitored on a daily basis and Treasury Sales & Trading are solely responsible for the hedging of the exposure of the Bank.

The following table highlights large currency exposures of the Bank in USD. It also highlights the measures used to monitor, measure and control that risk.

Foreign exchange exposure and risk

31 October 2015:

Currency	Position Long (Short) vs USD	8% Deval	1% Reval	Average Position
	$'000	$'000	$'000	$'000
Jamaican dollar	7,273	(582)	73	6,597

31 October 2014:

Currency	Position Long (Short) vs USD	10% Deval	1% Reval	Average Position
	$'000	$'000	$'000	$'000
Jamaican dollar	8,188	(819)	82	4,706

The Bank utilizes a measure to quantify non-trading foreign exchange risk, also referred to as post-structural foreign exchange risk. This considers the effect of currency changes on the Bank's retained earnings and profit derived throughout the year in non-USD currencies. Full details of the structural positions are included in the Parent's financial statements.

The Bank will occasionally trade non-USD/JMD currencies, but these are quickly hedged. There were no material balances at either 2015 or 2014 fiscal year end.

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36. Financial Risk Management (Continued)

(e) Market risk (continued)

Foreign Exchange Risk (Continued)

The table below summarizes the Bank's exposure to foreign currency exchange rate risk at 31 October:

Concentrations of assets, liabilities and credit commitments:

	2015							
	EC	**BDS**	**CAY**	**BAH**	**US**	**JA**	**Other**	**Total**
As at 31 October 2015	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**
Assets								
Cash resources	42	60	143	-	2,501,380	5,206,194	182,026	7,889,845
Due from banks	-	12,482	4,725	1,684	18,780,137	646,459	1,499,366	20,944,853
Other assets	-	-	-	-	-	176,285	25,795	202,080
Investment securities	-	-	-	-	-	5,224,574	-	5,224,574
Taxation recoverable	-	-	-	-	-	30,034	-	30,034
Deferred tax assets	-	-	-	-	-	567,143	-	567,143
Retirement benefit asset	-	-	-	-	-	644,486	-	644,486
Loans and advances to customers	-	-	-	-	18,256,266	19,288,314	38,937	37,583,517
Property and equipment	-	-	-	-	-	1,136,335	-	1,136,335
Derivative financial instruments	-	-	-	-	139	-	-	139
Total assets	42	12,542	4,868	1,684	39,537,922	32,919,824	1,746,124	74,223,006
Liabilities								
Customer deposits	-	-	-	-	29,337,427	24,934,934	1,705,640	55,978,001
Derivative financial instruments	-	-	-	-	67	-	-	67
Other liabilities	-	715	-	-	3,530,814	(2,433,019)	(54,363)	1,044,147
Debt securities in issue	-	-	-	-	-	3,070,705	-	3,070,705
Retirement benefit obligation	-	-	-	-	-	77,164	-	77,164
Total liabilities	-	715	-	-	32,868,308	25,649,784	1,651,277	60,170,084
Net assets/(liabilities)	42	11,827	4,868	1,684	6,669,614	7,270,040	94,847	14,052,922
Credit commitments	-	-	-	-	2,217,838	5,883,865	538,911	8,640,614

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36. Financial Risk Management (Continued)

(e) Market risk (continued)

Foreign Exchange Risk (Continued)

	2014							
	EC	BDS	CAY	BAH	US	JA	Other	Total
As at 31 October 2014	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**	**J$'000**
Assets								
Cash resources	118	224	539	-	2,173,360	2,677,447	183,802	5,035,490
Due from banks	552	26,959	18,731	1,585	14,971,488	40,183	1,535,616	16,595,114
Other assets	-	-	270	-	135,408	288,821	36,933	461,432
Investment securities	-	-	-	-	-	5,231,270	-	5,231,270
Taxation recoverable	-	-	-	-	-	127,257	-	127,257
Deferred tax assets	-	-	-	-	-	664,406	-	664,406
Retirement benefit asset	-	-	-	-	-	664,370	-	664,370
Loans and advances to customers	-	-	-	-	15,631,056	17,260,716	40,665	32,932,437
Property and equipment	-	-	-	-	-	787,387	-	787,387
Derivative financial instruments	-	-	-	-	661	-	-	661
Total assets	670	27,183	19,540	1,585	32,911,973	27,741,857	1,797,016	62,499,824
Liabilities								
Customer deposits	-	-	-	-	22,696,576	20,480,918	1,694,796	44,872,290
Securities sold under agreements to repurchase	-	-	-	-	-	1,522,995	-	1,522,995
Derivative financial instruments	-	-	-	-	345	-	-	345
Other liabilities	(12,061)	29,257	19,540	1,585	2,635,360	(608,527)	157,993	2,223,147
Retirement benefit obligation	-	-	-	-	-	84,017	-	84,017
Total liabilities	(12,061)	29,257	19,540	1,585	25,332,281	21,479,403	1,852,789	48,702,794
Net assets	12,731	(2,074)	-	-	7,579,692	6,262,454	(55,773)	13,797,030
Credit commitments	-	-	-	-	2,799,872	5,366,508	415,502	8,581,882

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36. Financial Risk Management (Continued)

(e) Market risk (continued)

Foreign Exchange Risk (Continued)

Analysis was conducted to determine the sensitivity to reasonable possible movements of selected currencies against the Jamaican dollar to which the Bank had significant exposure at 31 October 2015 in respect of its assets and liabilities holding all other variables constant. The results revealed that as of 31 October 2015, if the Jamaican dollar had depreciated by 8% (2014 – 10%) against foreign currencies, profit before tax for the year would have been $817,565,000 higher (2014 - $1,012,835,000 higher) and shareholders' equity would have been $817,565,000 higher (2014 - $1,012,835,000 higher). Similarly, if the Jamaican dollar had revalued by 1% (2014 – 1%) against foreign currencies, profit before tax for the year would have been $102,196,000 lower (2014 - $101,284,000 lower) and shareholders' equity would have been $102,196,000 lower (2014 - $101,284,000 lower).

(f) Liquidity risk

Liquidity risk arises from the Bank's general funding activities in the course of managing assets and liabilities. It is the risk of having insufficient cash resources to meet current financial obligations without raising funds at unfavourable rates or selling assets on a forced basis.

The Bank's liquidity management strategies seek to maintain sufficient liquid financial resources to continually fund our financial position under both normal and stressed market environments.

Process and Control

Actual and anticipated inflows and outflows of funds generated from exposures including those not recognised in the statement of financial position are managed on a daily basis within specific short term asset/liability mismatch limits by operational entity.

Potential cash flows under various stress scenarios are modelled using amounts recognised in the statement of financial position. Prescribed liquidity levels under a selected benchmark stress scenario are maintained for a minimum time horizon.

Risk Measurement

The Bank's liquidity measurement system provides daily liquidity risk exposure reports for monitoring and review by the Treasury department. The Bank's Assets and Liabilities Committee – ALCO is responsible for recommending the liquidity ratio targets, the stress scenarios and the contingency funding plans. The Bank's Board of Directors is ultimately responsible for the Bank's liquidity.

The Bank manages liquidity risk by maintaining a significant base of core customer deposits, liquid assets and access to contingent funding as part of its management of risk. Each operational entity has internally established specific liquidity requirements that are approved by the Bank ALCO and reviewed annually.

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36. Financial Risk Management (Continued)

(f) Liquidity risk (continued)

The table below analyses assets, liabilities and commitments, guarantees and contingent liabilities of the Bank into relevant maturity groupings based on the remaining period at statement of financial position date to the contractual maturity date.

	1 to 3 Months	3 to12 Months	1 to 5 Years	Over 5 Years	Total
	$'000	$'000	$'000	$'000	$'000
As at 31 October 2015					
Cash and balances with Central Bank	7,889,845	-	-	-	7,889,845
Due from other banks	20,944,853	-	-	-	20,944,853
Other assets	202,080	-	-	-	202,080
Deferred tax assets	-	-	567,143	-	567,143
Investment securities	43,198	1,003	4,064,449	1,115,924	5,224,574
Taxation recoverable	30,034	-	-	-	30,034
Loans and advances to customers	5,909,423	1,463,984	14,896,637	15,313,473	37,583,517
Property and equipment	-	-	703,648	432,687	1,136,335
Retirement benefit asset	-	-	-	644,486	644,486
Derivative financial instruments	139	-	-	-	139
Total assets	35,019,572	1,464,987	20,231,877	17,506,570	74,223,006
Customer deposits	49,577,298	5,833,302	297,219	270,182	55,978,001
Derivative financial instruments	67	-	-	-	67
Other liabilities	1,044,147	-	-	-	1,044,147
Debt securities in issue	-	70,705	3,000,000	-	3,070,705
Retirement benefit obligation	-	-	-	77,164	77,164
Total liabilities	50,621,512	5,904,007	3,297,219	347,346	60,170,084
Net assets/(liabilities)	(15,601,940)	(4,439,020)	16,934,658	17,159,224	14,052,922
Commitments, guarantees and contingent liabilities	6,015,630	1,621,114	3,529	1,000,341	8,640,614

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36. Financial Risk Management (Continued)

(f) Liquidity risk (continued)

	1 to 3 Months	3 to12 Months	1 to 5 Years	Over 5 Years	Total
	$'000	$'000	$'000	$'000	$'000
As at 31 October 2014					
Cash and balances with Central Bank	5,035,490	-	-	-	5,035,490
Due from other banks	15,251,114	1,344,000	-	-	16,595,114
Other assets	461,432	-	-	-	461,432
Deferred tax assets	-	-	-	664,406	664,406
Investment securities	45,491	-	4,068,979	1,116,800	5,231,270
Taxation recoverable	127,257	-	-	-	127,257
Loans and advances to customers	4,071,491	1,594,039	13,228,426	14,038,481	32,932,437
Property and equipment	-	-	634,760	152,627	787,387
Retirement benefit asset	-	-	-	664,370	664,370
Derivative financial instruments	661	-	-	-	661
Total assets	24,992,936	2,938,039	17,932,165	16,636,684	62,499,824
Customer deposits	42,198,581	2,270,651	106,021	297,037	44,872,290
Derivative financial instruments	345	-	-	-	345
Other liabilities	2,223,147	-	-	-	2,223,147
Taxation payable	1,089,147	433,848	-	-	1,522,995
Retirement benefit obligation	-	-	-	84,017	84,017
Total liabilities	45,511,220	2,704,499	106,021	381,054	48,702,794
Net assets/(liabilities)	(20,518,284)	233,540	17,826,144	16,255,630	13,797,030
Commitments, guarantees and contingent liabilities	5,588,715	2,039,515	1,520	952,132	8,581,882

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36. Financial Risk Management (Continued)

(g) Interest rate risk

Interest rate risk arises from the changes in interest rate affecting the future cash flows of financial instruments. For the Bank there is currently no trading interest rate risk. Non-trading interest rate risk consists primarily of a combination of the risks inherent in asset and liability management activities and the activities of the core retail, wealth and corporate businesses. Interest rate risk results from differences in the maturities or re-pricing dates of assets inclusive of those not recognised in the statement of financial position.

The following table highlights the other key interest rate risk measures utilised by the Bank:

31 October 2015

Currency	Post Structural DV01 $	VaR $'000	Increase 100 basis points $'000	Decrease 100 basis points $'000	60 day Stressed Loss $'000
Jamaican dollar	(9,632)	151	963	(963)	2,332

31 October 2014

Currency	Post Structural DV01 $	VaR $'000	Increase 250 basis points $'000	Decrease 100 basis points $'000	60 day Stressed Loss $'000
Jamaican dollar	(7,991)	281	1,998	(799)	1,874

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36. Financial Risk Management (Continued)

(g) Interest rate risk (continued)

The Bank's sensitivity did not move significantly throughout the year. Generally the contractual sensitivities are marginally long, but the effect of the structural interest rate assumptions, particularly with regard to core deposit balances, generate the relatively small net short position reflected above.

USD Interest Rate Exposure
The USD interest rate risk exposure is calculated for the Bank and reported monthly at both a product and tenor level at the Assets and Liabilities Committee. As at 31 October the risk sensitivity and related stress results to a 1 basis point drop in the underlying USD yield curve are as follows:

31 October 2015

Currency	Post Structural DV01	Increase 100 basis points	Decrease 50 basis points	60-Day Stressed Loss
	$'000	$'000	$'000	$'000
USD	(19,689)	1,969	(984)	2,707

31 October 2014

Currency	Post Structural DV01	Increase 250 basis points	Decrease 100 basis points	60-Day Stressed Loss
	$'000	$'000	$'000	$'000
USD	(18,726)	4,682	(1,873)	2,545

The main components of this risk on the asset side, are fixed rate loans and mortgages offset by core deposit and transactional accounts and inter-company borrowing on the liability side.

Credit Spread Risk
Credit spread exists as the benchmark curve and the reference asset curves either converge or diverge. The risk is measured using an estimated CSDV01 and stress scenarios.

	Notional	CS DV01	Stress Loss	Notional	CS DV01	Stress Loss
	2015 $'000	2015 $'000	2015 $'000	2014 $'000	2014 $'000	2014 $'000
Investment securities						
Hard currency demoninated	-	-	-	-	-	-

36. Financial Risk Management (Continued)

(g) Interest rate risk (continued)

Derivatives held for ALM purposes

Where derivatives are held as hedges against either sizeable loans from core businesses or to reduce interest risk exposure to USD denominated local bond issues and the transactions meet the accounting criteria then the Group applies hedge accounting. Derivative hedges that do not qualify for hedge accounting treatment are considered to be economic hedges and are recorded at fair value on the statement of financial position with changes in the fair value recognised through profit or loss. It should be noted that these are only interest rate risk hedges and other risks such as credit spread on the underlying still exist and are measured separately.

(h) Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Limits are set on the level of mismatch of interest rate repricing that may be undertaken, which are monitored on an ongoing basis.

Expected repricing and maturity dates do not differ significantly from the contract dates, except for the maturity of deposits up to 1 month, which represent balances on current accounts considered by the Bank as a relatively stable core source of funding of its operations.

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36. Financial Risk Management (Continued)

(h) Cash flow and fair value interest rate risk (continued)

The following tables summarise carrying amounts of statement of financial position, asset and liabilities in order to arrive at the Bank's interest rate gap based on earlier of contractual re-pricing or maturity dates.

	Immediately Rate Sensitive[1]	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non Rate Sensitive[2&3]	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
As at 31 October 2015							
Cash and balances with Central Bank	-	4,028,923	-	-	-	3,860,922	7,889,845
Due from other banks	1,767,613	18,995,293	-	-	-	181,947	20,944,853
Derivative financial instruments	-	-	139	-	-	-	139
Taxation recoverable	-	-	-	-	-	30,034	30,034
Other assets	-	-	-	-	-	202,080	202,080
Investment securities	-	4,240,452	1,003	978,085	-	5,034	5,224,574
Loans and advances to customers	1,688,421	4,603,713	1,598,348	14,916,679	14,776,356	-	37,583,517
Property and equipment	-	-	-	-	-	1,136,335	1,136,335
Deferred tax assets	-	-	-	-	-	567,143	567,143
Retirement benefit asset	-	-	-	-	-	644,486	644,486
Total assets	3,456,034	31,868,381	1,599,490	15,894,764	14,776,356	6,627,981	74,223,006
Customer deposits	33,736,341	15,825,087	5,848,993	297,398	270,182	-	55,978,001
Other liabilities	-	-	-	-	-	1,044,147	1,044,147
Derivative financial instruments	-	-	67	-	-	-	67
Debt securities in issue	-	3,070,705	-	-	-	-	3,070,705
Retirement benefit obligation	-	-	-	-	-	77,164	77,164
Total liabilities	33,736,341	18,895,792	5,849,060	297,398	270,182	1,121,311	60,170,084
Total interest rate sensitivity gap	(30,280,307)	12,972,589	(4,249,570)	15,597,366	14,506,174	5,506,670	14,052,922
Cumulative gap	(30,280,307)	(17,307,718)	(21,557,288)	(5,959,922)	8,546,252	14,052,922	-

[1] This represents those financial instruments whose interest rates change concurrently with a change in the underlying interest rate basis, for example base rate loans.
[2] This includes financial instruments such as equity investments.
[3] This includes non-financial instruments.

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36. Financial Risk Management (Continued)

(h) Cash flow and fair value interest rate risk (continued)

	Immediately Rate Sensitive[1]	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non Rate Sensitive[2&3]	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
As at 31 October 2014							
Cash and balances with Central Bank	-	2,152,539	-	-	-	2,882,951	5,035,490
Due from other banks	46,455	16,271,820	-	-	-	276,839	16,595,114
Derivative financial instruments	-	661	-	-	-	-	661
Taxation recoverable	-	-	-	-	-	127,257	127,257
Other assets	-	-	-	-	-	461,432	461,432
Investment securities	-	4,246,770	-	979,466	-	5,034	5,231,270
Loans and advances to customers	1,449,843	3,479,599	1,683,962	13,200,385	13,118,648	-	32,932,437
Property and equipment	-	-	-	-	-	787,387	787,387
Deferred tax assets	-	-	-	-	-	664,406	664,406
Retirement benefit asset	-	-	-	-	-	664,370	664,370
Total assets	1,496,298	26,151,389	1,683,962	14,179,851	13,118,648	5,869,676	62,499,824
Customer deposits	29,204,160	12,994,242	2,265,681	111,170	297,037	-	44,872,290
Securities sold under agreements to repurchase	-	1,102,404	420,591	-	-	-	1,522,995
Other liabilities	-	-	-	-	-	2,223,147	2,223,147
Derivative financial instruments	-	345	-	-	-	-	345
Retirement benefit obligation	-	-	-	-	-	84,017	84,017
Total liabilities	29,204,160	14,096,991	2,686,272	111,170	297,037	2,307,164	48,702,794
Total interest rate sensitivity gap	(27,707,862)	12,054,398	(1,002,310)	14,068,681	12,821,611	3,562,512	13,797,030
Cumulative gap	(27,707,862)	(15,653,464)	(16,655,774)	(2,587,093)	10,234,518	13,797,030	-

(1) This represents those financial instruments whose interest rates change concurrently with a change in the underlying interest rate basis, for example base rate loans.
(2) This includes financial instruments such as equity investments.
(3) This includes non-financial instruments.

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36. Financial Risk Management (Continued)

(h) Cash flow and fair value Interest rate risk (continued)

Average effective yields by the earlier of the contractual re-pricing or maturity dates:

2015	Immediately Rate Sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
	%	%	%	%	%	%
Cash and balances with Central Bank	-	2.10	-	-	-	2.10
Due from other banks	-	0.35	-	-	-	0.35
Investment securities[1]	-	6.47	7.25	8.19	-	6.80
Loans to customers [2]	38.79	8.86	8.46	7.74	8.9	9.76
Debt securities in issue	-	9.25	-	-	-	9.25
Customer deposits[3]	0.09	2.76	4.84	7.18	6.05	1.40

2014	Immediately Rate Sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
	%	%	%	%	%	%
Cash and balances with Central Bank	-	0.02	-	-	-	0.02
Due from other banks	-	0.21	-	-	-	0.21
Investment securities[1]	-	7.83	-	8.19	-	7.90
Securities sold under agreements to repurchase	-	8.05	9.95	-	-	8.59
Loans to customers [2]	41.62	9.41	7.86	8.13	9.05	10.09
Customer deposits[3]	0.09	2.18	2.86	7.91	6.19	0.89

[1] Yields are based on book values and contractual interest rates adjusted for amortisation of premiums and discounts.
[2] Yields are based on book values, net of allowance for credit losses and contractual interest rates.
[3] Yields are based on contractual interest rates.

(i) Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value of a financial instrument. However, market prices are not available for a significant number of the financial assets and liabilities held and issued by the Bank. Therefore, for financial instruments where no market price is available, the fair values presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at reporting dates. The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates.

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36. Financial Risk Management (Continued)

(i) Fair value of financial instruments (continued)

Determination of fair value and the fair value hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

31 October 2015	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Investment securities:				
Government debt securities	-	5,219,540	-	5,219,540
Derivative financial instruments	-	139	-	139
Total financial assets	-	5,219,679	-	5,219,679
Financial liabilities				
Derivative financial instruments	-	67	-	67
Total financial liabilities	-	67	-	67

31 October 2014	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Investment securities:				
Government debt securities	-	5,226,236	-	5,226,236
Derivative financial instruments	-	661	-	661
Total financial assets	-	5,226,897	-	5,226,897
Financial liabilities				
Derivative financial instruments	-	345	-	345
Total financial liabilities	-	345	-	345

There were no transfers between levels in the fair value hierarchy during the year.

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36. Financial Risk Management (Continued)

(i) Fair value of financial instruments (continued)

Financial instruments recorded at fair value

The following is a description of the determination of fair value for financial instruments which are recorded at fair value using valuation techniques. These incorporate the Bank's estimate of assumptions that a market participant would make when valuing the instruments:

a) Derivative financial instruments

Derivative products valued using a valuation technique with market observable inputs are interest rate swaps, interest rate options and commodity options. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

b) Available-for-sale investment securities

Available-for-sale investment securities valued using a valuation technique or pricing models primarily consist of debt securities.

These assets are valued using models which sometimes only incorporate data observable in the market and at other times use both observable and non-observable data. The non-observable inputs to the models include assumptions about liquidity and price disclosure, counterparty credit spreads and sector specific risks.

Fair value of financial instruments not carried at fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

i. Due from other banks

Loans and advances to banks include inter-bank placements and items in the course of collection. The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and remaining maturity. Their carrying values approximate their fair values.

ii. Loans and advances to customers

The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value. The balances are net of specific and other provisions for impairment and their net carrying amounts approximate their fair values.

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Notes to the Financial Statements
Year ended 31 October 2015
(Expressed in Jamaican dollars unless otherwise indicated)

36. Financial Risk Management (Continued)

(i) Fair value of financial instruments (continued)

Fair value of financial instruments not carried at fair value (continued)

iii. Customer deposits
The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest bearing deposits and other borrowings without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

iv. Debt securities in issue
The fair value of debt securities in issue is calculated using a discounted cash flow model based on a current interest rate yield curve appropriate for the remaining term to maturity.

v. Financial assets and liabilities with carrying values that approximate fair value
For financial assets and liabilities that are liquid or have a short-term maturity, it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits savings accounts without a specific maturity and variable rate financial instruments.

The following tables set out the fair values of the financial instruments of the Bank not shown on the statement of financial position at fair value:

	Carrying value 2015 $'000	Fair value 2015 $'000	Carrying value 2014 $'000	Fair value 2014 $'000
Loans and advances to customers	37,583,517	37,505,525	32,932,437	32,825,541
Customer deposits	55,978,001	56,137,825	44,872,290	45,006,009
Debt securities in issue	3,070,705	3,186,748	-	-
Securities sold under agreements to repurchase	-	-	1,522,995	1,526,930

These financial instuments are all level 2 items by level of the fair value hierarchy.

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37. Critical Accounting Judgements and Estimates in Applying Accounting Policies

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Impairment losses on loans and advances

The Bank reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the statement of income. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Bank makes judgements about the borrower's financial situation and the net realisable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance for impairment losses.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provisions should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident.

The collective assessment takes account of data from the loan portfolio such as credit quality, levels of arrears, credit utilisation, loan to collateral ratios, concentrations of risks and economic data, country risk and the performance of different individual groups.

(b) Retirement benefit obligation

Accounting for some retirement benefit obligation requires the use of actuarial techniques to make a reliable estimate of the amount of benefit that employees have earned in return for their service in the current and prior periods. These actuarial assumptions are based on management's best estimates of the variables that will determine the ultimate cost of providing post-employment benefits and comprise both demographic and financial assumptions. This includes assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Variations in the financial assumptions can cause material adjustments in future years, if it is determined that the actual experience differed from the estimate.

(c) Property and equipment

Management exercises judgement in determining whether costs incurred can accrue significant future economic benefits to the Bank to enable the value to be treated as a capital expense.

Further judgement is applied in the annual review of the useful lives and residual values of all categories of property and equipment and the resulting depreciation determined thereon.

37. Critical Accounting Judgements and Estimates in Applying Accounting Policies (Continued)

(d) Income taxes

The Bank is subject to taxation and significant estimates are required in determining the provision for income taxes. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilised. Management's judgement is required to determine the amount of the deferred tax asset that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(e) Impairment of available-for-sale investments

Management makes judgements at each reporting date to determine whether available-for-sale investments are impaired. These investments are impaired when the carrying value is greater than the recoverable amount and there is objective evidence of impairment.

(f) Fair value of financial instruments

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined using a valuation model that has been tested against prices of or inputs to actual market transactions and using the Bank's best estimates of the most appropriate model assumptions. Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, counterparty credit, liquidity spread and limitations in the model.

38. Employee Share Ownership Plan

Under the employee share ownership plan, qualifying employees can choose each year to have up to 6% of their eligible earnings withheld to purchase common shares in the Parent. The Bank matches 50% of the employee contribution amount, up to a maximum contribution of 6% of eligible earnings, depending upon length of service and job level. The Bank's contributions vest after employees have two years of continuous participation in the plan. All contributions are paid into a trust and used by the plan trustees to purchase common shares in the open market. The Bank's contributions are expensed as incurred and totalled \$8,154,000 (2014 - \$6,602,000) (Note 26).