



JMMB Bank (Jamaica) Limited

*(formerly JMMB Merchant Bank Limited)*

# **SUMMARY AUDITED FINANCIAL STATEMENTS**

**31 MARCH 2018**

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## 2018 HIGHLIGHTS

The Directors of JMMB Bank (Jamaica) Ltd., (formerly JMMB Merchant Bank Ltd.) ("the Bank") are pleased to advise that on August 14, 2017, approval was received to convert the operations of the Merchant Bank to that of a Commercial Bank. This conversion process was successful and the Bank is now better poised to offer a full suite of financial services to its clients and potential clients across Jamaica.

For the year ended March 31, 2018, the Bank recorded success, with growth in all the major balance sheet lines. Its core businesses of loans and deposits have seen significant growth resulting in increases in core income lines when compared to prior year. In addition, increases in volume-driven foreign exchange trading income were also recorded.

This continued growth and stability reflects the Bank's commitment to providing a superior client experience, and ensuring our clients and potential clients are kept at the core of the Bank's strategic efforts. The Bank will continue on the journey of offering a unique brand of banking to the sector, by leveraging the JMMB way of partnering with clients to achieve their financial goals.

### Financial Performance

The Bank's total assets increased year-over-year by approximately 28.5% or \$10.19 billion, moving to \$45.96 billion up from \$35.77 billion; this resulted from the Management team being well ahead of its strategic objective in growing the core business lines as well as the conversion to Commercial Bank. The growth was primarily achieved in the loans and deposit portfolios as the Bank continues to focus on its core banking activities.

JMMB Bank also recorded growth in net operating revenues, which increased by J\$284.4 Million or approximately 11.81% moving from J\$2.41 billion for period ended March 31, 2017 to J\$2.69 billion for this financial period ended March 31, 2018.

Net interest income (NII) also recorded a 16.8% increase, moving from J\$1.44 billion in 2017 to J\$1.68 billion in 2018, an increase of J\$241.81 million. This was largely due to the significant growth in the value of loans booked throughout the year. The increase in total revenue was also supported by increases in the other core business lines mainly in foreign currency trading and translation gains, which also recorded significant increases of approximately 102%. There were one-off gains from the disposal of securities, as the Bank focused on rebalancing its investment portfolio and source of income towards loan interest income with less dependence on interest income on Investments.

Non-interest expenses moved from \$1.43 billion to \$1.85 billion. The increase was largely driven by one-time expenses related to the conversion of the Merchant Bank to Commercial Bank, as well as the establishment of three new branches during the year under review, doubling the Bank's footprint. The change to clearing bank status required the establishment of a Proof department complete with full outlay of hardware and software consistent with best in class clearing operations. Staff costs, one major operating expense, increased by 31% to \$1.02 billion due to increases in the number of team members required by the doubling of the branch network and the establishment of the Proof department. The increase also reflects annual salary adjustments and other incentives. Professional fees and Information technology cost reflected increases of 43% and 16% respectively, as we procured the services of the consultants required to support the conversion process. Consequently, the Bank's operating profit was J\$837.5M compared to J\$973.5M in the prior period.

### Loans

JMMB Bank recorded a 39.05% growth in net loans moving from \$19.34 billion to \$26.89 billion, with the resultant improvement in market share. This strong movement resulted from growth in the wide range of borrowing solutions offered to both personal and business sectors to include the Small and Medium Enterprises (SMEs) sector for Jamaican businesses.

With the continued growth in the Bank's loan portfolio, dependence on interest income from investment in securities has decreased. Funds from the reduction of the Investment portfolio were channeled into loan which was also bolstered from growth in the deposit base. There was a reduction in the Investment portfolio in order to assist with the funding of the loan growth, which was also funded by growth in the deposit base. The Management of JMMB Bank continues to tightly manage its loan portfolio quality, with a delinquency rate of just 1.31% in non-performing loans to total loans as at year end.

### Deposits

For the year ended March 31, 2018, JMMB Bank deposit portfolio grew by approximately 45.9% or J\$9.77 billion. The market was faced with liquidity constraints, which to a greater extent was for Jamaican dollars. Notwithstanding the challenges, the Bank remains committed to providing clients with value added products and services and presenting our solutions as viable alternatives to what obtains in the marketplace.

### Strategic Focus

The Bank intends to increase its footprint by at least one additional branch before the end of the second quarter of 2018. Convenient client access will continue to be a key focus as the Bank also received regulatory approval to roll out a dual currency proprietary ATM network to provide clients with additional touch-points across the country (internet banking and physical locations are the other existing channels). In addition to the foregoing, JMMB Bank will continue to build out a full suite of Commercial Banking solutions in response to client demand and market trends. In keeping with the overall national growth agenda, JMMB Bank will seek to sharpen its focus on SMEs, by providing solutions specific to the unique needs of this sector. JMMB Bank fully supports the financial inclusion mandate and will continue to remain accessible to all Jamaicans.

### Shareholder's Equity

JMMB Bank continues to maintain a sound capital base to support the Bank's strategic growth. This ensures the safety of the Bank's clients, fosters investor confidence, while facilitating the opportunity to grow its portfolio. In addition, the Bank's total shareholders' equity increased by \$205.15 million or 2.6% and is currently at \$8.06 billion up from \$7.85 billion at the end of the prior financial year.

### Earnings per Share

The Bank's Earnings per Share (EPS) is at 99 cents, a decrease of 34 cents when compared to 133 cents in prior year. EPS is based on profit after tax and the weighted average number of shares in issue (641,159,682).

### Acknowledgements

The Board of Directors and Management would like to thank our dedicated team members and loyal clients, both local and overseas. We also thank all our business associates, regulators and partners across the JMMB Group for their continued support and commitment, to the growth and development of JMMB Bank (Jamaica) Limited.

We are committed to excellence, and in pursuit thereof, we look forward to an even more successful 2018/19 financial year for the benefit of all our stakeholders.



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## INDEPENDENT AUDITORS' REPORT ON THE SUMMARY FINANCIAL STATEMENTS

To the Members of  
JMMB BANK (JAMAICA) LIMITED  
(formerly JMMB Merchant Bank Limited)

### Opinion

The summary financial statements set out on pages 3 to 7, which comprise the summary statement of financial position as at 31 March 2018, the summary profit and loss account, summary statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited financial statements of JMMB Bank (Jamaica) Limited (formerly JMMB Merchant Bank Limited) ("the Bank") for the year ended 31 March 2018.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements, in accordance with the Practice Statement 2016-1, *Summary Financial Statements*, issued by the Institute of Chartered Accountants of Jamaica.

### Summary Financial Statements

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards which were applied in the preparation of the audited financial statements of the Bank. Reading the summary financial statements and our report thereon, therefore, is not a substitute for reading the audited financial statements and our report thereon. The summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

### The Audited Financial Statements and Our Audit Opinion

We expressed an unmodified audit opinion on the audited financial statements in our report dated May 30, 2018.

### Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summary financial statements in accordance with Practice Statement 2016-1, *Summary Financial Statements*, issued by the Institute of Chartered Accountants of Jamaica.

### Auditors' Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), "*Engagements to Report on Summary Financial Statements*".

Chartered Accountants  
Kingston, Jamaica

July 6, 2018

**SUMMARY FINANCIAL STATEMENTS**  
**PREPARED FROM THE AUDITED FINANCIAL STATEMENTS**

**Profit and Loss Account**  
**Year ended 31 March 2018**

(expressed in Jamaican dollars unless otherwise indicated)

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Net Interest Income and Other Revenue</b>		
Interest on investments	503,213	788,651
Interest on loans	2,333,310	1,742,988
Total interest income	2,836,523	2,531,639
Interest expense	(1,154,210)	(1,091,140)
<b>Net interest income</b>	<b>1,682,313</b>	<b>1,440,499</b>
Fee income	183,742	138,581
Foreign exchange trading and translation	415,705	205,668
Gains on sale of available-for-sale investments	332,460	571,703
Other income	78,460	51,780
Total other operating revenue	1,010,367	967,732
<b>Net interest income and other revenue</b>	<b>2,692,680</b>	<b>2,408,231</b>
<b>Non-interest expenses</b>		
Staff costs	1,021,844	778,095
Loan loss and bad debt expense, less recovery	130,639	68,179
Bank charges	79,945	75,655
Property expenses	64,988	68,951
Depreciation and amortisation	78,039	52,376
Information technology costs	88,844	76,458
Marketing and corporate affairs	43,529	51,380
Professional fees	111,007	77,547
Regulatory costs	37,205	30,520
Irrecoverable General Consumption Tax	69,719	52,523
Asset tax	74,695	60,767
Other operating expenses	54,723	42,234
<b>Total non-interest expenses</b>	<b>1,855,177</b>	<b>1,434,685</b>
<b>Profit before taxation</b>	<b>837,503</b>	<b>973,546</b>
Taxation	( 200,941)	( 122,791)
<b>Profit for year</b>	<b>636,562</b>	<b>850,755</b>

The notes on page 7 are an integral part of the summary financial statements.

**SUMMARY FINANCIAL STATEMENTS**  
**PREPARED FROM THE AUDITED FINANCIAL STATEMENTS**

**Statement of Profit or Loss and Other Comprehensive Income**  
**Year ended 31 March 2018**

(expressed in Jamaican dollars unless otherwise indicated)

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Profit for year</b>	636,562	850,755
<b>Other comprehensive income</b>		
Items which are, or may be reclassified to profit or loss:		
Unrealised gains arising on revaluation of available-for-sale financial investments	125,776	1,313,114
Reclassification of gains realised and reported in profits	(322,898)	( 463,466)
	(197,122)	849,648
Income tax relating to components of other comprehensive income	65,707	( 283,216)
<b>Other comprehensive (loss)/income for the year</b>	(131,415)	566,432
<b>Total comprehensive income for the year</b>	<b>505,147</b>	<b>1,417,187</b>

**SUMMARY FINANCIAL STATEMENTS**  
**PREPARED FROM THE AUDITED FINANCIAL STATEMENTS**

**Statement of Financial Position**  
**31 March 2018**

(expressed in Jamaican dollars unless otherwise indicated)

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>		
Cash and balances with banks	7,258,492	4,302,901
Investment in securities	4,353,616	2,523,871
Securities purchased under resale agreements	1,326,387	1,285,765
Pledged assets	5,229,431	7,646,594
Loans and notes receivable	26,887,901	19,336,978
Accounts receivable	140,877	157,290
Income tax recoverable	-	39,526
Intangible asset	273,819	159,477
Property, plant and equipment	170,444	118,152
Customers' liabilities under acceptances, guarantees and letters of credit as per contra	317,731	198,110
<b>Total Assets</b>	<b>45,958,698</b>	<b>35,768,664</b>

The notes on page 7 are an integral part of the summary financial statements.

**SUMMARY FINANCIAL STATEMENTS**  
**PREPARED FROM THE AUDITED FINANCIAL STATEMENTS**

**Statement of Financial Position (Continued)**

**31 March 2018**

(expressed in Jamaican dollars unless otherwise indicated)

	2018 \$'000	2017 \$'000
<b>Liabilities</b>		
Securities sold under repurchase agreements	4,389,232	5,377,882
Deposits	31,060,570	21,292,327
Due to other financial institution	348,005	418,382
Accounts payable	463,485	391,695
Deferred tax liability	292,203	237,010
Promissory note	1,002,877	-
Taxation payable	26,190	-
Liabilities under acceptances, guarantees and letters of credit as per contra	317,731	198,110
<b>Total Liabilities</b>	<b>37,900,293</b>	<b>27,915,406</b>
<b>Stockholders' Equity</b>		
Share capital	1,732,888	1,732,888
Statutory reserve fund	941,511	846,026
Retained earnings reserve	3,715,442	3,215,442
Capital redemption reserve	85,488	85,488
Fair value reserve	541,404	672,819
Loan loss reserve	265,856	194,019
Retained earnings	775,816	1,106,576
	8,058,405	7,853,258
<b>Total Liabilities and Stockholders' Equity</b>	<b>45,958,698</b>	<b>35,768,664</b>

The summary financial statements on pages 3 to 7 were approved by management on July 6, 2018 and signed on its behalf by:

  
Dennis L. Harris  
Chairman

  
Keith P. Duncan  
Director

The notes on page 7 are an integral part of the summary financial statements.

**SUMMARY FINANCIAL STATEMENTS**  
**PREPARED FROM THE AUDITED FINANCIAL STATEMENTS**

**Statement of Changes in Equity**  
**Year ended 31 March 2018**

(expressed in Jamaican dollars unless otherwise indicated)

	Share Capital	Statutory Reserve Fund	Retained Earnings Reserve	Capital Redemption Reserve	Fair Value Reserve	Loan Loss Reserve	Retained Earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balances at 31 March 2016</b>	<b>1,732,888</b>	<b>718,414</b>	<b>2,715,442</b>	<b>85,488</b>	<b>106,387</b>	<b>161,315</b>	<b>916,137</b>	<b>6,436,071</b>
Profit for the year	-	-	-	-	-	-	850,755	850,755
Other comprehensive income for the year:								
Unrealised gains on available-for-sale investments, net of tax	-	-	-	-	875,409	-	-	875,409
Reclassification of gains realised and reported in profits, net of tax	-	-	-	-	(308,977)	-	-	(308,977)
Other comprehensive income	-	-	-	-	566,432	-	-	566,432
Total comprehensive income for the year	-	-	-	-	566,432	-	850,755	1,417,187
Transfer to loan loss reserve	-	-	-	-	-	32,704	( 32,704)	-
Transfer to retained earnings reserve	-	-	500,000	-	-	-	( 500,000)	-
Transfer to statutory reserve fund	-	127,612	-	-	-	-	( 127,612)	-
<b>Balances at 31 March 2017</b>	<b>1,732,888</b>	<b>846,026</b>	<b>3,215,442</b>	<b>85,488</b>	<b>672,819</b>	<b>194,019</b>	<b>1,106,576</b>	<b>7,853,258</b>
Profit for the year	-	-	-	-	-	-	636,562	636,562
Other comprehensive loss for the year:								
Unrealised gains on available-for-sale investments, net of tax	-	-	-	-	83,851	-	-	83,851
Reclassification of gains realised and reported in profits, net of tax	-	-	-	-	(215,266)	-	-	( 215,266)
Other comprehensive loss	-	-	-	-	(131,415)	-	-	( 131,415)
Total comprehensive income for the year	-	-	-	-	(131,415)	-	636,562	505,147
Transfer to loan loss reserve	-	-	-	-	-	71,837	( 71,837)	-
Transfer to retained earnings reserve	-	-	500,000	-	-	-	( 500,000)	-
Transfer to statutory reserve fund	-	95,485	-	-	-	-	( 95,485)	-
Transactions with owners:								
Dividends	-	-	-	-	-	-	( 300,000)	( 300,000)
<b>Balances at 31 March 2018</b>	<b>1,732,888</b>	<b>941,511</b>	<b>3,715,442</b>	<b>85,488</b>	<b>541,404</b>	<b>265,856</b>	<b>775,816</b>	<b>8,058,405</b>

The notes on page 7 are an integral part of the summary financial statements.



**SUMMARY FINANCIAL STATEMENTS**  
**PREPARED FROM THE AUDITED FINANCIAL STATEMENTS**

**Statement of Cash Flows**  
**Year ended 31 March 2018**

(expressed in Jamaican dollars unless otherwise indicated)

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cash Flows from Operating Activities</b>		
Profit for the year	636,562	850,755
Adjustments for:		
Interest Income	(2,836,523)	(2,531,639)
Interest expense	1,154,210	1,091,140
Allowance for credit losses (net)	124,107	32,203
Depreciation and amortisation	78,039	52,376
Taxation	200,941	122,791
	<u>( 642,664)</u>	<u>( 382,374)</u>
Changes in operating assets and liabilities -		
Accounts receivable	( 10,700)	2,701
Loans receivable	(7,605,888)	(6,965,847)
Accounts payable	71,791	197,278
	<u>(8,187,461)</u>	<u>(7,148,242)</u>
Interest received	2,700,797	2,515,700
Interest paid	(1,160,877)	(1,075,899)
Taxation paid	( 14,324)	( 60)
Cash used in operating activities	<u>(6,661,865)</u>	<u>(5,708,501)</u>
<b>Cash Flows from Investing Activities</b>		
Acquisition of property and equipment, and intangible asset	( 244,673)	( 99,815)
Investments (net)	(3,014,703)	4,996,850
Securities purchased under resale agreements	2,365,748	(2,365,748)
Cash (used in)/provided by investing activities	<u>( 893,628)</u>	<u>2,531,287</u>
<b>Cash Flows from Financing Activities</b>		
Deposits	9,737,141	4,008,575
Securities sold under repurchase agreements	( 950,577)	326,254
Due to other financial institution	( 70,365)	( 80,854)
Promissory note	1,002,560	-
Dividends paid	( 300,000)	-
Cash provided by financing activities	<u>9,418,759</u>	<u>4,253,975</u>
Effect of exchange rate changes on cash and cash equivalents	<u>( 2,443)</u>	<u>33,348</u>
Net increase in cash and cash equivalents	1,860,823	1,110,109
Cash and cash equivalents at beginning of year	3,034,919	1,924,810
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>4,895,742</u></b>	<b><u>3,034,919</u></b>

**Notes to the Summary Financial Statements**

**1. Identification and Activities**

(a) JMMB Bank (Jamaica) Limited [formerly JMMB Merchant Bank Limited] ("the Bank") is domiciled and incorporated in Jamaica and is a wholly owned subsidiary of JMMB Group Limited ("parent") which is domiciled and incorporated in Jamaica. The registered office of the Bank is located at 6 – 8 Grenada Way, Kingston 5.

It commenced operations as a commercial bank effective August 14, 2017 when a licence was granted under section 22 of the Banking Services Act, 2014.

(b) The Bank's main business is that of taking deposits, granting loans and trading in foreign currencies.

(c) The Bank is licensed under the Banking Services Act (2014), and the Banking Services Regulations (2015). The Bank is regulated by the Bank of Jamaica (the Supervisor).

**2. Basis of preparation**

(a) These summary financial statements comply with the provisions of the Practice Statement, *Summary Financial Statements*. They do not include all the disclosures provided in the full financial statements and cannot be expected to provide as complete an understanding as provided by the full financial statements.

(b) An unmodified audit opinion has been issued on the full financial statements as at and for the year ended March 31, 2018, from which these summary statements have been extracted, and were authorised for issue by the directors on May 30, 2018. A copy of the audited full financial statements are available on the Bank's website at [www.jmmb.com](http://www.jmmb.com).

(c) The full financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) and relevant provisions of the Jamaican Companies Act. They have been prepared on the historical cost basis, except for the measurement of available-for-sale financial assets at fair value.