Annual Report 2007/2008

Jamaica Deposit Insurance Corporation

Enhancing Capacity in a Dynamic Environment

Mission Statement

**THE MISSION OF
THE JAMAICA DEPOSIT
INSURANCE CORPORATION
IS TO:**

Provide insurance against the loss of depositors' funds;

Contribute to the stability and confidence in Jamaica's financial system;

Minimise the Corporation's exposure to loss through sound management of the Deposit Insurance Fund.

The Corporation will foster an environment which encourages employees to realise their full potential and exhibit professionalism and excellence.

June 30, 2008

The Hon. Audley Shaw, M.P.
Minister of Finance and the Public Service
Ministry of Finance and the Public Service
30 National Heroes Circle
Kingston 4

Dear Minister:

In accordance with Section 11(1) of the Deposit Insurance Act, 1998, I have the honour to submit to you the Annual Report of the Jamaica Deposit Insurance Corporation for the Financial Year 2007/2008 and a copy of the Corporation's Accounts as at March 31, 2008, duly certified by its Auditors.

Yours sincerely

R. N. A. Henriques, Q.C.
Chairman

Performance Highlights

FIVE-YEAR FINANCIAL STATISTICS AT MARCH 31, 2004 – 2008

	2004 $'000	2005 $'000	2006 $'000	2007 $'000	2008 $'000
Insurance Premium Income	301,688	339,654	388,748	437,732	484,120
Interest Earned & Other Income	231,754	291,850	335,778	378,525	480,751
Total Revenue	534,007	631,504	724,526	816,257	964,871
Surplus from Investment and Administrative Operations	151,901	205,080	234,763	252,048	331,776
Administrative Expenses	79,853	86,770	101,015	126,477	148,975
Deposit Insurance Fund	1,246,873	1,791,607	2,415,118	3,104,898	3,920,794
Investment Securities	1,291,907	1,912,791	2,557,249	3,248,803	4,109,144
Total Assets	1,448,456	2,021,829	2,692,872	3,416,803	4,244,283
Property, Plant and Equipment	55,794	53,819	70,242	64,074	62,167
Persons employed at the end of the year	18	22	23	20	26
Expense Control Ratio (%)	15.1	13.7	13.9	15.5	15.4

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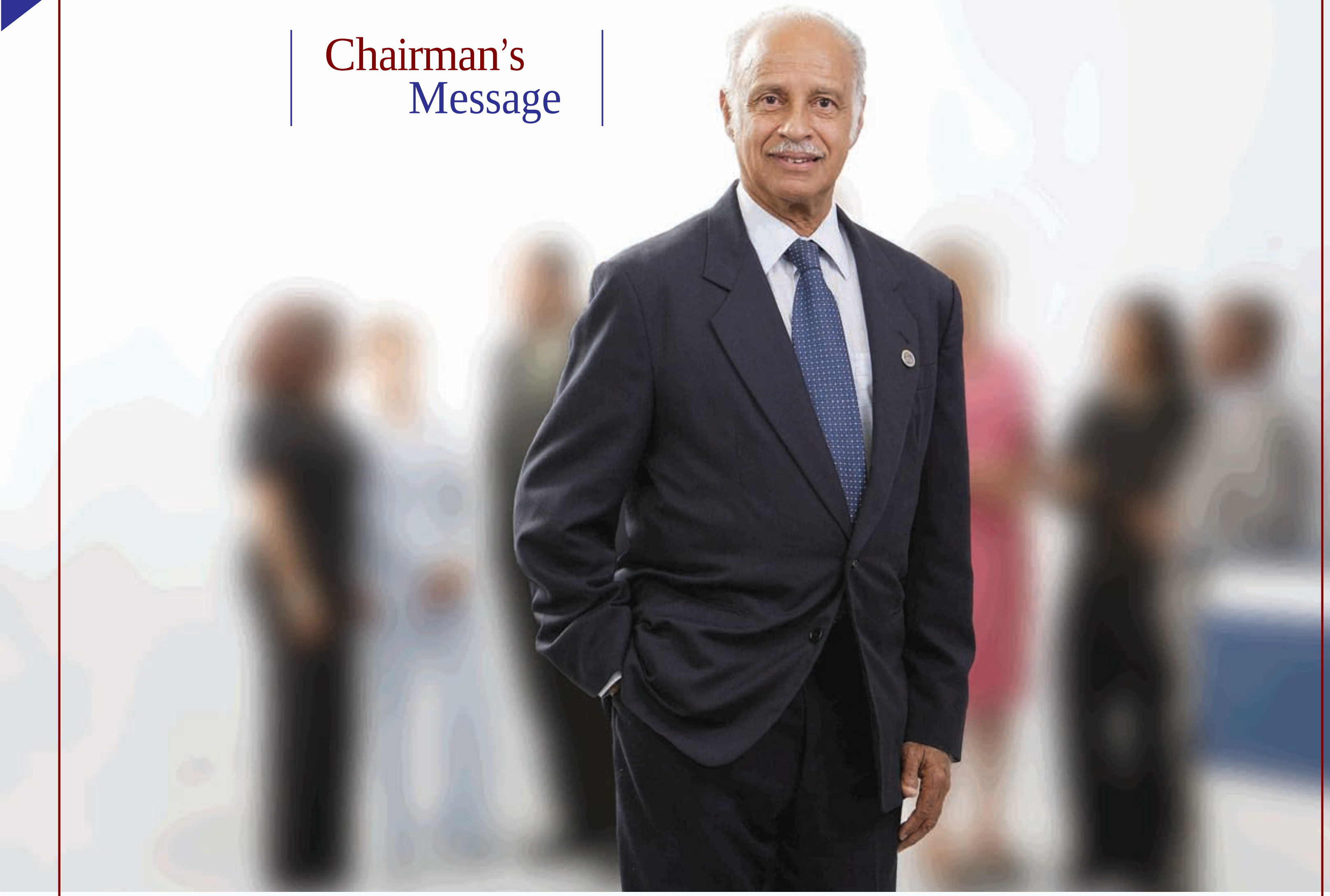
Chairman's Message



The Corporation began operations on the 31st day of August 1998, and shortly will be celebrating its 10th Anniversary, fulfilling its mandate to operate a credible scheme for protecting depositors; and thereby contribute to the maintenance of confidence in the nation's financial system. A review of its operations throughout the decade has shown that the JDIC has clearly achieved its objective, as it is in a strong financial position due to prudent investments, and has the operational and financial capacity to determine and manage its risk exposure and stand in readiness to address potential problems in the system. Most significant is the fact that as of the 1st July 2007 the Corporation was able to double the deposit insurance coverage limit to a sum of $600,000.

The Board is cognizant that strengthening the confidence of depositors in our banking sector can be reinforced by making the public aware of an effective insurance scheme. The general public should be educated to understand what deposit insurance is and how it can contribute towards the stability of the financial system. The Board will extend its full support to Management as it embarks upon an intensified public awareness and education programme for the fiscal year 2008/2009 for the purpose of heightening the level of public awareness about the mechanisms in place for protection of the financial system.

The goals in 2007/2008 would not have been achieved without the extremely hard work of our CEO, Management Team and Staff. The achievements are a clear testimony of their commitment and dedication. On behalf of the Board of Directors I wish to record our thanks and deepest appreciation.

In 2008 onwards the Corporation will see through many initiatives in the preparation for contingencies. In further enhancing capability and capacity, emphasis will be placed on the development and implementation of appropriate systems to improve the effectiveness of the operation, with sustained focus on the training and development of the most critical resource - our people.

No doubt there are challenging times ahead, but with the guidance of our Board members and continued support of our team, we will achieve our objectives. We are thoroughly enthused and look forward to the collaborative effort towards another year of rigorous work and success.

R. N. A. Henriques, Q.C.

CEO's Report to Stakeholders

There was no change during the year in the Corporation's main objective: to manage a scheme for the insurance of deposits against risk of loss. With its continued focus on depositor protection and financial system stability and confidence, the Corporation was able to maintain its strategic focus developed in previous years and made further strides in enhancing its own operational capacity. We are pleased to report that in furtherance of these objectives the Corporation obtained Cabinet approval for amendments to its governing statute, the Deposit Insurance Act (the Act). The proposed amendments seek to achieve: the preservation and enhancement of depositor entitlements under the Act, consistent with their commercial expectations; secure improved operational efficiencies and better ensure regulatory clarity and certainty.

The Corporation, as in the previous year, benefited from the vigilance of the supervisory authorities and the enhanced regulatory framework in terms of the maintenance of a sound and resilient financial system. This was despite the fallout in global financial markets as a result of the sub-prime mortgage crisis, and in the local markets, the unraveling of some unregulated financial 'schemes'.

With the resilience of the local banking system, no financial institution failure and without the consequent requirement to pay out depositors, the Deposit Insurance Fund continued on its steady growth path, achieving an increase of 26.2 percent to end the year at just under $4 billion. Driven primarily by continued efficiency in its operations the Corporation was able to once again achieve an overall satisfactory financial outturn for the year.

Given the Corporation's obligation to maintain a credible Deposit Insurance Scheme the coverage limit for depositors is reviewed periodically taking into account such factors as the effects of inflation, exchange rate movements and changes in the profile of depositors. After extensive evaluation the coverage limit was increased to $600,000 per depositor per institution effective July 1, 2007. This new limit represents an improvement upon the value of coverage beyond the 1998 and 2001 limits of $200,000 and $300,000 respectively. At $600,000 nearly 98 percent of the deposit accounts within the system are fully covered – a level that is on par with international practices in other deposit insurance regimes. The Corporation was able to achieve this increase without effecting any change in the Policyholder premium assessment rate of 15 basis points.

The Corporation is required to assess the adequacy of the Deposit Insurance Fund at least once per year and take account of its liabilities and potential liabilities. The Corporation's Policyholder risk assessment and monitoring process, operationalized in previous years, provides the most important input into this adequacy assessment. The assessment indicates the Fund to be adequate to meet its liabilities and potential liabilities for the assessed period. This assessment notwithstanding, the Corporation continues to identify and implement new strategies to ensure that with any adverse change in the risk profile of its Policyholders the associated shortfall in its funds can be readily addressed.

The already satisfactory collaboration and the sharing of information among the Corporation's safety net partners, viz. the

Bank of Jamaica, the Financial Services Commission and the Ministry of Finance and the Public Service, was further strengthened during the year. Together with these institutions the Corporation hosted and participated in a number of public forums for the purpose of educating the public on the deposit insurance system so as to better shore up depositor awareness and confidence. Whereas informal surveys during the year have indicated that depositor awareness levels can be improved, confidence in the financial system remained at a very high level. The valuable partnership with Policyholders was sustained with the annual Policyholders' Forum as the platform for assuring the required cooperation for joint projects. The Corporation's strategy for international collaboration and cooperation through its membership in the International Association of Deposit Insurers has proven to be a best practice approach, particularly given the lessons during a year that signally demonstrated the interconnectedness of financial systems, both large and small.

The systems and processes for the required collaboration with our stakeholders have proved successful to date in a dynamic environment, and with advancing technologies we expect these to be further enhanced during the next financial year.

The challenges of the year, both within the organization, and arising externally have been identified by the Corporation's Management as an opportunity for ensuring the greatest protection to depositors and value to stakeholders. With the heightened exposure to the nuances and vicissitudes of financial institutions and markets, the Management believes that the time is ripe for the concept of financial inclusion for all, to be developed and implemented with haste. The next financial year will see the promotion of this concept as a major component of the effort to enhance depositor protection and financial system confidence.

We look forward to another year of working with our stakeholders to secure financial safety and soundness in our country.

Antoinette McKain

Corporate Information
as at March 31, 2008

Board of Directors

R. N. A. Henriques, Q.C.	-	Chairman
Antoinette McKain	-	Chief Executive Officer
Bridgett Wilks	-	Nominee of the Financial Secretary
Rudolph Muir	-	Nominee of the Governor, Bank of Jamaica
K. Denise Henry James		
Lisa Lewis		
A. Earl Melhado		

Executive Management

Antoinette McKain	-	Chief Executive Officer
Everett Lewis	-	Director, Claims & Recoveries
Ronald Edwards	-	Director, Finance & Corporate Services
Hughlette Jackson	-	Director, Insurance & Risk Assessment
Leah Bobb-Semple	-	Legal Counsel / Corporate Secretary

Auditors

PricewaterhouseCoopers
Scotiabank Centre
Duke Street
P.O. Box 372
Kingston
Jamaica, W.I.

Bankers

Bank of Jamaica
Nethersole Place
P.O. Box 621
Kingston
Jamaica, W.I.

Office

30 Grenada Crescent
Kingston 5, Jamaica, W.I.

Board of Directors

R. N. A. Henriques, Q.C.

Antoinette McKain

Roald Nigel Adrian Henriques is a Senior Partner of Livingston, Alexander & Levy, Attorneys-at-Law, with over 40 years distinguished legal practice. He obtained the Bachelor of Laws Degree (LL.B) and the Master of Laws Degree (LL.M) from the University of London.

Mr Henriques was called to the Bar at Lincoln's Inn, London, in November 1961, admitted to practice in Jamaica from 1962 and appointed a Queen's Counsel in 1981. In addition to his practice in Jamaica, he practices in other Caribbean Islands and in the Eastern Caribbean Court of Appeal. On several occasions Mr Henriques has practiced in the Judicial Committee of the Privy Council London.

Effective March 31, 2008, Mr Henriques was appointed Chairman of the JDIC Board of Directors.

Antoinette McKain was appointed to the position of Chief Executive Officer of the JDIC, effective January 1, 2007, following three years as the Corporation's Legal Counsel/ Corporate Secretary. An Attorney–at–Law with over 20 years practice, Ms McKain joined the Corporation in May 2003 after serving for seven years as a member of the Legal Team at the Bank of Jamaica.

While at the Bank of Jamaica Ms McKain played a critical role in the establishment of the Deposit Insurance Scheme through her work on the legal framework of the Scheme. Ms McKain's expertise spans corporate, commercial, banking and financial regulation law and best practices.

In addition to her legal designation, Ms McKain holds a MBA (Finance) from the University of Manchester and Wales.

Bridgett Wilks

Rudolph Muir

Bridgett Wilks, a career public servant, holds a BSc and MSc in Economics from the University of the West Indies (UWI). She is the Divisional Director for the Financial Regulations Division (FRD) of the Ministry of Finance and the Public Service. The FRD is responsible for the development of policy for the Financial Sector.

Mrs Wilks has worked at the Department of Statistics and the Petroleum Corporation of Jamaica, and has been working at the Finance Ministry for the past 16 years.

She was a member of the Task Force that was established to work on the legislative framework that led to the development of the Deposit Insurance Act and establishment of the Deposit Insurance Scheme. Appointed to the JDIC Board as the Nominee of the Financial Secretary in August 2005, Mrs Wilks has continued to serve in that capacity since.

Rudolph Muir, an accomplished attorney with a background in Economics, has been a Director of the JDIC since his appointment as Nominee of the Governor of the Bank of Jamaica in 1999. He is a Deputy Governor of the Bank of Jamaica, as well as the Bank's Corporate Secretary and General Counsel.

With near 30 years experience as in-house Counsel for banking institutions, Mr Muir's expertise spans contract negotiation, company law, international development law, project financing, receiverships and loan recovery; and he has extensive experience as a tutor in contracts and commercial law.

His professional experience includes 18 years at the Caribbean Development Bank (CDB) where he served as Legal Counsel through to Deputy General Counsel. Since 2001 Mr Muir has been the Chairman of the Jamaica Racing Commission and is also Director (Caribbean Region) – Association of Racing Commissioners International.

Board of Directors

Katia Denise Henry James

A. Earl Melhado

Katia Denise Henry James obtained a Bachelor of Arts (History and Economics) from the University of the West Indies (UWI) in 1981, and pursued the Bachelor of Laws (LLB) thereafter. She has been practicing for over 20 years with specialization in Probate & Estate Planning.

In 1987 Mrs Henry James joined the law firm Myers, Fletcher & Gordon, then from 1993 - 1996 served as Legal Officer at Life of Jamaica Limited. Since then she has operated as a Sole Practitioner.

Mrs Henry James is a part-time tutor at the Norman Manley Law School. She served as Company Secretary of the University Hospital of the West Indies Private Wing Limited; is a Board member of the Real Estate Board; and a member of the Board of LMH Publishing Limited. Effective March 31, 2008 Mrs Henry James was appointed to the JDIC Board.

A. Earl Melhado is a Barrister-at-Law & Attorney-at-Law and is the Principal in the law firm A. Earl Melhado & Associates. His career spans service in the public sector at the executive and directorship levels.

Mr Melhado served as Crown Counsel in the office of the Director of Public Prosecution (DPP) and is a former Executive Director of the Securities Commission [now incorporated into the Financial Services Commission (FSC)].

Directorships held by Mr Melhado include: the Municipal Services Commission and Parish Council Services Commission; the Agricultural Development Corporation; the Companies Office of Jamaica; the Land Administration and Management Programme (LAMP) and the Jamaica Deposit Insurance Corporation to which he was appointed effective March 31, 2008.

Lisa Lewis

Leah Bobb-Semple

Lisa Lewis, after obtaining a Bachelor of Science in Computer Studies from the University of the West Indies in 1990, has spent the last 18 years in the telecommunications industry, having assumed successive senior positions over the period.

Ms Lewis had a successful nine-year tenure at Cable and Wireless Jamaica, (C&WJ) rising to the position of Call Centre Manager in 1999 with responsibility for C&WJ's main call centres located in Kingston.

In May 2000 Ms Lewis joined the management team at Digicel Jamaica, holding several senior management positions through to Group Projects Director. Her present responsibilities include new licence acquisitions for the Caribbean, Latin America and the rest of the world. In December 2006, she was appointed Chairman of the Digicel Foundation. Ms Lewis joined the JDIC Board of Directors effective March 31, 2008.

Leah Bobb-Semple joined the JDIC Executive Management Team on October 1, 2007 in the position of Legal Counsel/Corporate Secretary, following three years as Crown Counsel in the Attorney General's Chambers.

Ms Bobb-Semple holds a Bachelor of Laws (LLB) from the University of the West Indies and a LLM in International Business Law from University of Manchester, Manchester, England.

After attaining her professional certification from the Norman Manley Law School in 1998, Ms Bobb-Semple has practiced in the public legal system and has gained training and exposure to a wide range of civil and commercial matters, both domestic and international. She served in the Court of Appeal of Jamaica as Judicial Clerk from 1998-2000, then as Deputy Registrar to May 2003.

Executive Management

A Management Committee comprising the CEO and senior executive officers have responsibility for carrying out the operations of the Corporation. Core operations are under the areas of Insurance & Risk Assessment, Claims & Recoveries and Deposit Insurance Fund Management. The respective operations departments are supported by the Finance & Corporate Services and the Legal & Corporate Secretariat Departments and an Information Communication Technology Unit.

The team brings to the operations of the Corporation several decades of combined training and exposure in management, finance, economics and law, and has developed considerable expertise in financial regulation and deposit insurance over the past 10 years.

Performance Review

THE OPERATING ENVIRONMENT

Overview

A dynamic and challenging environment provided the context within which the Corporation and its major stakeholders, the Policyholders, operated during fiscal year 2007/08. At the end of the year the insured community emerged resilient and the Corporation returned a satisfactory year's performance. The Jamaican economy was impacted by shocks to the domestic market and international market developments, with negative effects on local production, prices and consequently the overall performance of the economy.

Despite the prevailing conditions and uncertainties in international financial markets, which affected even some overseas institutions, which were strongly rated previously, the resilience that has characterized the local banking sector in recent years remained evident. With no assessed threats to the viability of Policyholders in the near-term, the Corporation was allowed to advance its key business strategies, with further strengthening of its capacity through the development of its human, technical and financial resources.

The Macro-economy

The Jamaican economy was impacted adversely by a number of developments and uncertainties, both local and international, resulting in overall performance below expectation, as reflected in the outturn of most of the key macro-economic variables. Many of the factors which bore prominence in the overall economic performance could not have been anticipated even by the most well established forecasting models. The shocks specific to the domestic economy arose from adverse weather conditions, in the form of the passage of a major hurricane (Hurricane Dean) in August, and over six weeks of continuous heavy rainfall shortly thereafter, causing infrastructural damage which put a damper on production, particularly in the goods producing sectors.

Performance of Key Macroeconomic Indicators

INDICATORS	2005/06 (r)	2006/07 (r)	2007/08 (p)
GDP growth (%)	2.0	2.4	0.7
Inflation (%)	11.4	8.1	19.9
NIR (US$ Million)	2,078.1	2,329.4	2,083.4
Debt (% of GDP)	134.8	132.4	126.1
Fiscal Balance (% of GDP)	-3.3	-5.3	-4.7
Primary Surplus (% of GDP)	10.4	8.8	8.1
180-day CD Rate (%)	13.00	12.00	14.20
182-day TBill Rate (%)	13.18	11.65	14.22
Exchange Rate (J$/US$)	65.50	67.80	71.09

(p) provisional data (r) revised

This, coupled with international financial market turbulence and escalating global commodity prices (energy and food in particular) contributed to full fiscal year outcomes that were less favourable than anticipated.

For the first two quarters of the fiscal year the performance of the Jamaican economy was encouraging; but the disruptions to normal productive activities and international market developments had a negative impact on macroeconomic performance. While the responsible agencies projected increased GDP growth rates, maintenance of single-digit inflation, and a lowering of interest rates; by contrast, the year-end outcome included a significant reduction in the GDP growth rate to less than 1 percent, a doubling in the projected inflation to just under 20 percent, and a more than 200 basis points hike in interest rates.

The fall-off in the goods producing sectors (primarily agriculture and mining) was the main reason for the less than impressive GDP growth outcome of 0.7 percent for the full fiscal year, down from the original target of 2.5 percent. Influenced by domestic supply pressures, inflation for the fiscal year was 19.9 percent, which was more than double the outcome for the previous fiscal year (8.1 percent), with the variance relative to projected levels being just as significant.

The Bank of Jamaica (BOJ or the Bank) was active in the foreign exchange market as there were bouts of instability due to increased liquidity and a decline in investor confidence. The actions of the BOJ were geared towards engendering price stability and as such included continued sale of foreign currency reserves to the market (the main area of concentration for the first two months) and increasing the interest rates and the attractiveness of open market securities offered. The 6-month BOJ Certificate of Deposit (CD) ended the year at 14.20 percent, up from 12.00 percent at the end of March 2007; while the comparable Treasury Bill rate was 14.22 percent, up from 11.65 percent at end of year 2007.

Central Bank activities in the market resulted in continuous reductions in the level of official reserves for the first three quarters of the year. There was some trend reversal during the January - March quarter, as increased private capital inflow allowed for net accumulation in the reserves, but this was not sufficient to erase the reductions of the previous quarters. Throughout the year, despite the slowdown in the US economy, inflows of private transfers (remittances) remained strong.

Consistent with the generally lower investor confidence levels, the price of Government of Jamaica (GOJ) global bonds declined during the review year. The reduction of interest rates internationally (particularly in the USA), combined with the increase in domestic interest rates, rendered the Jamaican bonds more attractive, resulting in some price appreciation towards the end of the fiscal year, though not sufficient to reverse the initial declines. Despite the developments in international financial markets, Jamaica has maintained its stable sovereign credit ratings from international rating agencies which have also indicated a stable outlook for the country. The agencies considered the Government's continued commitment to the adopted fiscal and monetary stances, with major risks emanating from the challenges of the external market and Jamaica's vulnerability by virtue of its geographical location, size and high amortization needs.

Projections for a fiscal deficit to GDP ratio of 4.5 percent for the fiscal year were revised to 5.5 percent in October 2007 in light of the additional expenditure related to infrastructural rehabilitation. The fiscal deficit outcome of 4.7 percent, though off from the original target, bettered the revised target; due in part to improved tax administration and delays in implementing some investment spending.

The medium-term framework, within which economic activities and programmes will be conducted, emphasizes macro-economic stability, fiscal consolidation and structural reform. Given that Jamaica has in the past been able to recover swiftly from external shocks, it is anticipated that such resilience will be sustained.

The Regulatory Environment

Financial sector regulation took the spotlight during the review year, as financial market turbulence forced collaborative action among regulatory authorities in major financial centres. The developments have underscored generally, the importance of the financial system to economic growth and development; and specifically that sound regulation is critical to financial stability, consumer protection and ultimately the promotion of public confidence. The challenges in the Jamaican environment were compounded by the problems associated with unregulated financial 'schemes'. The local system however has emerged resilient, and regulators vindicated for their resolute oversight and supervisory vigilance.

Collaborative effort within the Caribbean region was sustained. One of the major areas of focus locally and within the region centred on Financial Conglomerates and Consolidated Supervision, to allow for greater transparency and facilitate better supervisory access within and across group entities. At the local level collaboration between the JDIC and the regulatory agencies was maintained through the Financial Regulatory Council (FRC), which continued to serve as an effective body for coordination of the activities of the Safety Net Agencies [the Ministry of Finance and the Public Service (MOFPS); the Bank of Jamaica (BOJ); the Financial Services Commission (FSC) and the Jamaica Deposit Insurance Corporation (JDIC)]. The agencies are collaborating on a more holistic approach to the examination of market risk and issues of systemic importance. As the Credit Union movement becomes an increasingly significant part of the market, incorporation of credit unions into the existing regulatory and supervisory regime for banks and building societies remains an important agenda item. Still on the agenda also is the FSC-led project to establish compensation schemes for pensions, insurance and the securities industries.

Legislative Developments

A sound and robust legislative platform is paramount to sustaining any financial industry's performance capacity. The overarching need for this enhanced capacity becomes more crucial when assessed against the backdrop of the general dynamism of the financial regulatory system. In embracing dynamism, ongoing efforts continued with the promotion of the strengthening of the legislative framework for the industry through reviews, redrafts, amendments and proposals for enhancing law-making capacity.

A key legislative development is the pending Payments and Settlement System Legislation. This enactment will formally establish the legal platform for the monitoring and assessment of banking payments while ensuring that this system operates in accordance with the Bank for International Settlements' (BIS) Core Principles for Systemically Important Payment Systems. The Bill is currently being drafted and it is anticipated that the matters addressed will cover the areas of: (i) the finality of payments; (ii) the effect of insolvency on payments already in the system and (iii) the upgrading of the settlement infrastructure which will allow for real-time gross settlement.

The proposed regulation of the deposit-taking cooperative societies (credit unions) by the Bank of Jamaica continued to be a live issue and remained under review. The Cooperative Societies (Amendment) Bill will not only bring credit unions under the regulatory ambit of the Ministry of Finance and the Public Service and the Bank of Jamaica, but also contemplates certain proposed enhancements requiring the input of the Ministry of Industry, Investments & Commerce. Currently, this Ministry is in the process of preparing a Cabinet Submission which will inform the drafting instructions to the Chief Parliamentary Counsel.

Work continued on the regulations for amendments related to enhancing BOJ's supervisory remit. The pending regulations are:

- The Banking (Form of Application) Regulations
- The Financial Institutions (Form of Application) Regulations
- The Building Societies (Licence Fees) Regulations
- The Banking (Qualification of Auditors) Regulations
- The Banking (Credit Classification and Provisioning) Regulations
- The Bank of Jamaica (Credit Union) Regulations.

POLICY REVIEW

The Corporation, being a relatively young organization, continues to place significant emphasis on refining its role as a deposit insurer, as it relates to consistency of mandate and authority and the capacity to respond as contemplated. In this regard, policy review and research remained an important functional area. Ongoing research projects on member admission, coverage, funding and to facilitate resolution and intervention preparedness, were at different stages of completion.

The comprehensive legislative/policy review undertaken by the Corporation to clarify issues relating to its deposit insurance authority was completed, with key stakeholder input considered; and towards the end of the year the requisite recommendations were put to the Ministry of Finance and the Public Service. In March 2008 the Cabinet submission outlining proposed amendments to the Deposit Insurance Act (DIA or the Act) was tabled and Cabinet Decision 11/08 dated March 31, 2008 was handed down by virtue of which drafting instructions were issued to the Chief Parliamentary Counsel.

The three broad areas that were considered represented what the Corporation envisaged as areas that required immediate attention to efficiently and effectively conduct its mandate through achieving the following broad objectives:

- The preservation and enhancement of Depositor entitlement
- Operational efficiency
- Regulatory clarity and certainty

It is anticipated that during the course of FY 2008/2009 the draft Bill should be laid before Parliament.

Among the continuing research projects are:

- Review of the membership admission procedures and the structure and requirements under the Deposit Insurance Policy, with special attention to the anticipated admission of credit unions to the Deposit Insurance Scheme.
- Review of the legislative authority and rules of deposit insurance coverage for clarity and guidance on the exploratory work towards establishment of compensation schemes for insurance, pensions and the securities industries.
- Examination of the definition and operational procedures for specific non-core deposits in order to determine the efficacy of coverage/continued coverage of such products.

RISK ASSESSMENT AND MONITORING

The JDIC is mandated to protect depositors against loss of their funds held in insured institutions, while taking all necessary steps to minimize the Corporation's exposure to loss. To achieve this, the Corporation works closely with the Supervisor of Banks and Financial Institutions (the Supervisor), the Bank of Jamaica, for the receipt of all information material to the operational and financial soundness of the insured institutions and to detect vulnerabilities throughout the system.The Corporation undertakes the risk assessment and monitoring function within an internally developed Risk Assessment Framework (RAF). The RAF utilizes operational and financial performance data; supervisory assessment and condition ratings and general market information, to assign risk ratings to individual institutions, sub-sectors and the total system. This assessment informs the Fund adequacy determination and generally guides the Fund management and intervention readiness processes.

Consistent with the strategic thrust for the present three-year planning period and as articulated in the related Corporate Plan, the risk assessment processes were conducted with greater rigour, through improved timeliness and depth of analysis and reporting. The improvement in the Corporation's risk assessment and monitoring processes was supported by greater consistency in the flow of information from the Supervisor and satisfactory Policyholder compliance with the requirements under the Deposit Insurance Policy.

Standard reporting from the Supervisor continued to be complemented by periodic updates through ongoing Deposit Insurer/Supervisor interaction and the benefit of additional information via the Financial Regulatory Council. Further enhancement to the process is anticipated in FY2008/09 from the collaborative work on the Guide to Intervention for Financial Entities, and with pending electronic transmission/sharing of data from the Supervisor.

Policyholders continued to comply with statutory reporting in accordance with the Deposit Insurance Policy, providing periodic updates to the Corporation on operational changes, and lending support to research projects through the provision of data and/or Deposit Insurer/Policyholder dialogue.The Annual Policyholders' Forum and the established liaison arrangement between Policyholders and the Corporation continue to be invaluable. To assure consistency in timing and standard of reporting across the system, Policyholders have been alerted to the pending introduction of a more structured process commencing at the start of the Policy Anniversary in FY 2008/09.

The premium assessment rate of 0.15 percent of Insurable Deposits remained unchanged for the year, and all Policyholders complied fully with premium returns in November, 2007. With no failures and no material adjustment in the assessed risk levels at the individual, sub-sector or system levels relative to the 2006/2007 position, there was no call on the Deposit Insurance Fund (DIF). The flat premium assessment rate will remain in place for at least the upcoming twelve-month period.

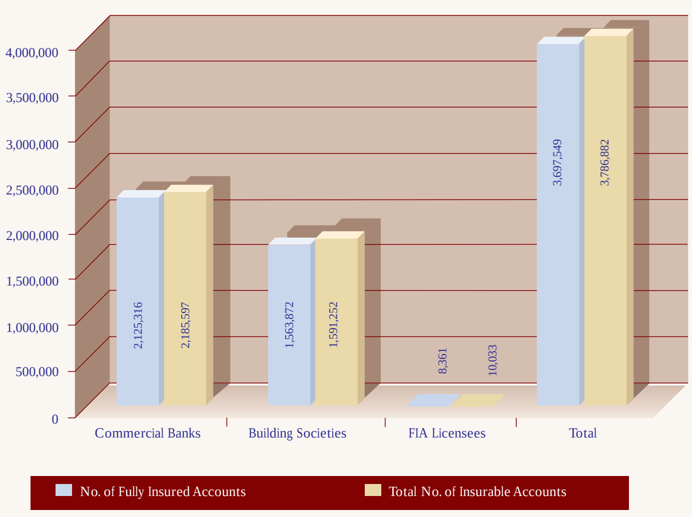
Deposit Insurance Coverage

While the rationale for limited coverage is well grounded and generally accepted, in scope and reach, coverage must be such that it engenders confidence, by virtue of the extent of protection offered to the vast majority of depositors, typically small and most vulnerable. Taking cognizance of this, the Corporation undertakes periodic reviews of coverage to determine adequacy. An annual survey of Insurable Deposits is conducted to ascertain the profile of deposits held in the insured system; and the findings together with a review of the macro-economic environment (particularly movement in key variables - inflation; exchange rate and GDP) drive the assessment of coverage adequacy.

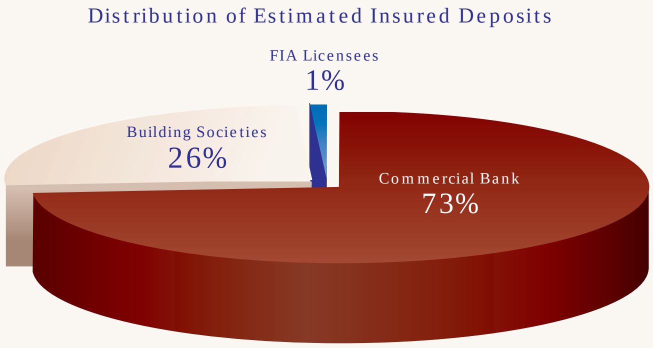
Arising from specific coverage research work towards the end of 2006/07, the Corporation recommended a doubling of the coverage limit to $600,000 per depositor per institution; and, following Ministerial Order, that limit became effective on July 1, 2007.

At this limit, the level of protection enjoyed by depositors was restored beyond that which obtained at establishment in 1998 ($200,000 limit) and in 2001 ($300,000 limit). The 2007 survey, conducted using December 31, 2007 data, and at the $600,000 limit, confirmed a very high level of coverage to depositors; with a corresponding increase in the potential liability to the Deposit Insurance Fund and some erosion in the Fund Coverage Ratio (the DIF as a percentage of the total estimated insured deposits).

The 2007 survey reveals that at the $600,000 limit, an estimated 97.64 percent of the 3.7 million deposit accounts in the banking system are fully covered. This compares to the 95.67 percent in 2006; and represents the highest level of protection afforded depositors since establishment of the scheme over nine years ago. Of significance also is the movement in coverage in dollar value terms, as coverage level nears 50 percent (48.98%) of total insurable deposits, almost 10 percentage points over the 39.36 percent cover at the end of 2006, at the $300,000 limit.



Using the net retention of deposits (both in number and value) as an indicator, the results suggest that there was no material dilution of confidence in the banking system, even amidst fierce competition and domestic market challenges, coupled with international developments which have put banking systems to severe test. Total insurable deposits grew by 16.3 percent to $396.4 billion at December 31, 2007, with the distribution among sub-sectors unchanged at 75:21:4 for commercial banks, building societies and merchant banks. Consistent with the sub-sector depositor profile, the comparable distribution of estimated insured deposits (or the potential liability to the DIF) was 73:26:1, confirming generally smaller average deposit balances in building societies and at the other extreme comparatively large deposit balances in merchant banks.



Fund Adequacy

As is required by statute, the Deposit Insurance Fund is subject to annual evaluation to ascertain its adequacy in relation to the risk to which it is exposed. The 2007 review was conducted in March 2008, based on system data as at December 31, 2007. The review utilized a one-year time horizon, and sought to determine the ability of the Fund to cover its liabilities and potential liabilities over this period. Specifically the evaluation sought to measure the risk of loss to the Fund and the average liquidity requirement of the Fund for the one-year period to December 31, 2008.

The Fund adequacy assessment is underpinned by the risk profile of individual institutions, sub-sectors and total system as determined by application of the Risk Assessment Framework. In addition, due consideration is given to macro-economic developments and forecast and emerging issues with direct or pass-through impact on the financial system and the Deposit Insurance Scheme. Recent financial market developments and vulnerabilities were also factored into the review.

The 2007 Fund Evaluation determined the Fund to be adequate to cover the assessed levels of liabilities and potential liabilities for the one-year period to December 2008 – assuming normal conditions and no material change in the assessed risk profile of Policyholders over the same period. As at December 2007, the Fund at $3.69 billion represented 1.90 percent of total estimated insured deposits; a slippage from 2.17 percent in 2006, due in large measure to the doubling of the coverage limit during 2007. The Deposit Insurance Fund increased by $231 million or 6.3 percent to total $3.92 billion at March 2008 and translated to an improvement in the Fund ratio to 2.00 percent.

The evaluation reinforced the need for the continued prudence in the Fund management, incorporating the Fund adequacy findings; and as well ensuring that contingency funding and resolution/intervention arrangements are fully coordinated among the JDIC and the Regulatory Authorities. Notwithstanding the demonstrated resilience of the banking system during the current decade, recent events suggest that systemic issues must remain under constant watch and appropriate contingencies developed.

FINANCIAL MANAGEMENT

Overview

The total assets of the Corporation exceeded the $4 billion mark, increasing by 24.2 percent over the previous year, and driven primarily by a 23.7 percent accretion to the investment portfolio. This contributed to the achievement of an overall satisfactory financial out-turn for the review year. Total revenue for the year increased by 18.2 percent to $964.9 million, split almost evenly between premium income (50.2 percent) and income from investment activities (49.8 percent). An overall surplus (after administrative expenses) of $815.9 million was achieved, compared to $689.7 million in the previous year. A summary of the Statement of Operations is provided in the table below:

STATEMENT OF OPERATIONS	2007/08 $M	2006/07 $M
Insurance Premiums	484.1	437.7
Interest earned & other income	480.8	378.5
Total revenue	964.9	816.2
Administrative expenses	149.0	126.5
Surplus from operations	815.9	689.7

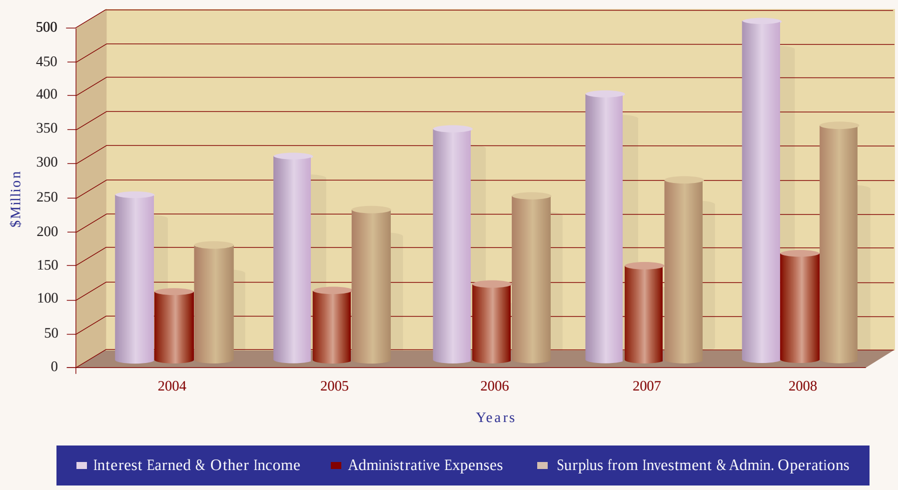
The cost of administration for the year was $149.0 million, an increase of 17.8 percent over the previous year, arising mainly from increases in staff cost; and compared with a 25.2 percent increase in the previous year. The percentage distribution of the total expenditure is shown in the table below, indicating a 9 percentage point increase in staff costs with all other major expenditure areas showing a reduced share. Increases in staff cost reflect substantially the larger staff complement (26 at March 2008 from 20 in 2007) as vacancies were filled throughout the year.

EXPENSES	2007/08 %	2006/07 %
Staff Costs	66	57
Public Education & Advertising	13	14
Professional Fees	6	7
Depreciation	3	4
Other	12	18
TOTAL	100	100

KEY PERFORMANCE RATIOS	DEFINITION	2007/08 ACTUAL %	2007/08 PROJECTED %	2006/07 ACTUAL %
Expense Control	Administrative Expenses/Total Revenue	15.4	16.9	15.5
Net Surplus	Surplus from Operations/Total Revenue	84.6	83.1	84.5
Return on Assets	Surplus from Operations/Total Assets	19.2	18.3	20.2
Asset Management	Total Revenue/Total Assets	22.7	22.0	23.9

The key performance ratios set out above confirm continued satisfactory performance by the Corporation, reflected in efficiency in operations and positive contribution to the Deposit Insurance Fund. All performance ratios bettered the projections for 2008 and also compare well against the 2007 outturn. The slight deterioration in the asset ratios year on year resulted from a higher growth in assets compared with revenue growth. Importantly, the consistency in the expenditure pattern was maintained, with the administrative cost of the Corporation contained within 32 percent of surplus from investment operations, and the remaining 68 percent being the net contribution to the Deposit Insurance Fund. The five year comparison is shown in the graph below.

Surplus from Investment and Administrative Operations 2004-2008



Management of the Deposit Insurance Fund

One of the primary statutory objects of the Corporation is the management of the Deposit Insurance Fund. The Fund, established in November 1998 has experienced an average annual rate of growth of 48 percent since FY1999/2000; and stood at $3.9 billion at March 31, 2008.

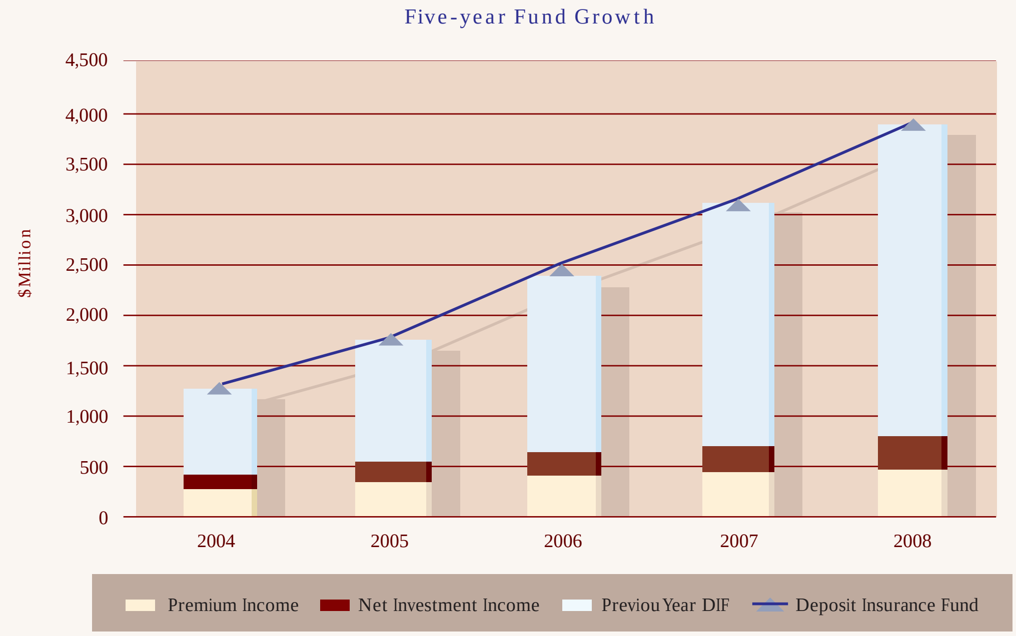
The Board exercises oversight management of the Fund through the Investment Sub-Committee and the Corporation's Management undertakes the day-to-day Fund management functions through the Treasury Management Committee. The Investment Policy delineates the specific guidelines by which Management must abide in executing the investment management responsibilities. Generally, the Policy requires prudent investment portfolio management and Fund growth, with due regard to preservation of capital, and liquidity management appropriately aligned to the assessed risk exposure of the Fund. Investment operations also benefited from realignment in the financial management processes, effected to address the identified need for specific function segregation and greater overall efficiency.

The Act stipulates that the Deposit Insurance Fund must be invested in securities of the Government of Jamaica or in such foreign securities as may from time to time be approved by the Board of Directors.

Driven by domestic and foreign market conditions, the Fund has been invested exclusively in Government of Jamaica securities, being substantially domestic currency instruments and a small holding of foreign currency denominated instruments. The investment portfolio stood at $4.1 billion at March 31, 2008 increasing by 23.7 percent when compared with the previous year's balance of $3.2 billion. The portfolio earnings reflected market conditions throughout the year, with a downward trend in interest rates for most of the year and an upward shift in the last quarter. At year end the average yield on investment was 13.1 percent, a marginal increase on the 12.9 percent at the previous year end.

At the end of FY 2007/08 the Fund balance was $3.9 billion, $0.8 billion or 26.3 percent above the $3.1 billion at the previous year end. This addition to the Fund during the year represents the surplus from insurance premium income and returns from investments (net of administrative expenses). The Fund position at March 31 is summarized below:

Components of the Fund	2007/08 $M	2006/07 $M
Balance at the beginning of the year	3,104.9	2,415.1
Deposit Insurance Premium	484.1	437.7
Surplus from Investment and Administrative Operations	331.8	252.1
Balance at end of the year	3,920. 8	3,104.9



INTERVENTION READINESS

The Corporation recognizes that successful management of Policyholder intervention will only be accomplished with considerable preparatory work, much of this taking place well in advance of any potential Policyholder failure. The key elements of intervention management have been identified as revolving around people, process and technology. Each of these elements received considerable focus during the review year.

Human resource needs are addressed through training and simulation. Key personnel were exposed to relevant short courses, and planning for the Corporation's third payout simulation was far advanced at year end. In addition a Payout Contingency Planning exercise was held. The development and updating of business process documentation, as in previous years, remained a priority. The payout information and communications technology application is under development and the required customization had been determined. The significant developments occurring during the review year are discussed below and the related information and communications technology support is addressed under ICT Infrastructure and Development.

Payout Training & Simulation

The use of simulations is a critical component of the Corporation's Proactive Readiness business strategy, geared towards making the Corporation 'battle ready' in respect of the most important function it will undertake, that is, the reimbursement of depositors (payout). International experience has established that payout simulations are an effective means by which the skills of the Payout Team are honed, the business processes are tested and refined, the efficacy of the information system is tested; and deficiencies are identified for correction. Further, the landscape is constantly changing with respect to staffing, information and communications technology, legislation, Policyholder products etc. Consequently there always remains the need for regular training and simulation.

Planning the simulation exercise focused on the areas of Balancing and Reconciliation (of the accounts of a financial institution) and Media Communications in a payout, with the former being undertaken in two segments, namely Ledger Balancing and Clearing Accounts, and Cheque Clearing Operations and Suspense Accounts. Significant work has been done in preparation for implementation of these simulations, which are expected to take place during FY2008/09.

Payout Contingency Planning

Employing the scenario of the impending failure of a fictitious institution, Management conducted a high level Payout Contingency Planning exercise designed to meet the objectives of: heightened awareness of the critical tasks to be undertaken, identification of the significant challenges, assessment of the Corporation's readiness status and the development of strategies for taking the Corporation forward. The exercise was successful in satisfying these objectives, but, as was expected, it has highlighted a number of unresolved issues and matters for further action. The exercise has provided the basis to go forward in search of solutions for filling identified gaps, for the continual development of more effective payout policies, systems and processes and for the negotiation of agreements and protocols with suppliers and other external entities.

Intervention Matrix Review

The intervention of failed Policyholders by Safety Net Partners (SNPs) is guided by a Memorandum of Understanding, 2000, which includes a framework or Crisis Intervention Matrix (the Matrix) for action by these SNPs in resolving institutions experiencing viability challenges. The Corporation has identified that there is scope for enhancement to the Matrix and for the development of certain detailed operational arrangements in support of the responsibilities and activities assigned to each SNP specifically and to the Partners jointly. The internal review of the issues, which commenced during the preceding year, was substantially complete and a timeline agreed with the Supervisor for the commencement of discussions during FY 2008/09.

Business Process Documentation and Training Material Development

The Corporation has determined that one of the most effective methods for the distribution of depositor payments in a payout is through the electronic transfer of the insured deposit portfolio of the failed Policyholder to another Policyholder (Insured Deposit Portfolio Transfer). In doing this, the Corporation will overcome the operational challenges of payment from its own office and provides the convenience of payment at a geographic location near to the depositor. The business process documentation for the Insured Deposit Portfolio Transfer Project was completed during the review year, while the compilation of the information and communications technology documentation was brought closer to completion. The legal and bid documentation were drafted and submitted to the Policyholders for comment. Once received, all the comments will be considered prior to these documents being finalized.

The information required by the Corporation for the computation of depositor payments in a payout must be obtained from the records of the Policyholder. Accordingly, the Corporation has embarked upon a project designed to satisfy its information needs prior to and during an intervention. The first phase of the project involved the review of legislation, international conventions and supervisory guidelines in force in Jamaica and other jurisdictions. This was completed and the results documented. The second phase is designed to determine and record the specific information needs of the Corporation. This phase was in progress at year end.

The Corporation's payout process involves the posting of adjusting entries to depositors' accounts and customer files to ensure that the amounts paid to depositors are accurate and consistent with the deposit insurance rules. Great care has to be exercised in performing this function to minimise the possibility of errors and other unsubstantiated transactions. Consequently, the Corporation finalised the Adjustment Guidelines, an initiative which commenced in the preceding year.

Faced with an intervention, reliance has to be placed on business process documentation and training material which provides the payout teams with the necessary information to perform the assigned tasks and adequately address the likely challenges. Consequently the compilation and updating of various items of documentation, including training material, was actively pursued throughout the review year.

PUBLIC AWARENESS AND EDUCATION

Deposit insurers worldwide acknowledge the fact that it is impossible to give effective protection to depositors unless they are aware of the rules of deposit insurance and how the system works to protect their savings. This is so particularly in respect of small depositors who are considered the most vulnerable. Such is the recognition given to the need for increased consumer awareness that in October 2007 the International Association of Deposit Insurers (IADI), of which the Corporation is a member, held its 6th Annual Conference with a focus on consumer protection and awareness. The emphasis on consumer awareness also comes against the background of continued innovation and the emergence of new products in the financial market.

As the JDIC approaches a decade of operation, it reaffirmed its commitment to the goal of consumer education, and continued to be diligent in the promotion of the deposit insurance brand and building awareness levels. The broad areas of focus for the review period were:

- Greater collaboration with Policyholders
- More direct contact with small community based groups
- Intensified electronic media advertising These objectives were largely achieved, with varying degree of success for the different initiatives.

The Corporation's public education initiatives for 2007/08 commenced with its participation in the celebration of the International Week of Deposit Insurance, promoted annually by IADI during the first week of May. The celebration followed Ministerial approval for a doubling of the deposit insurance coverage limit to $600,000. The Corporation seized the opportunity to leverage these milestones in furthering public education about deposit insurance. The week's activities included an intensive advertising campaign and promotional activities, inclusive of the presence of JDIC staff in Policyholder locations. The activities were launched with the Annual Policyholders Forum and a media briefing immediately after, which provided the opportunity for dissemination and discourse on the rationale and benefits of deposit insurance and highlighted the implications of the increased coverage limit.

Through visits to twenty seven (27) Policyholder locations during the week, JDIC team members were afforded the opportunity to have face to face interaction with bank customers, explaining to them, the benefits of deposit insurance; and simultaneously conducting a mini-survey within each location. The survey results indicated that the awareness level among customers was still relatively low. As such the Corporation continued to work closely with Policyholders and obtain their assistance with the dissemination of deposit insurance information. The main areas of collaboration were: through dialogue with Liaison Officers at each institution, periodic interaction with marketing and training officers; conducting workshops for Policyholders' staff; and the staging of 'blitz month' activities wherein all Policyholders are asked to intensify the promotion of deposit insurance throughout their branch network.

Partnership with the Bank of Jamaica and the Financial Services Commission (FSC), continued through the staging of coordinated public forums. The activities were intensified throughout the year, as the FSC stepped up its awareness campaign, in light of mushrooming unregulated financial 'schemes', and the need for the public to have accurate information on financial system regulation and protection.

For more efficient delivery of information the Corporation focused on small groups, targeting public and private sector organizations, schools, churches and other community groups. In addition to its own outreach activities, the Corporation participated in a number of expositions and discussion forums sponsored by some of these groups. Jamaicans overseas were also informed and updated on the JDIC's role, by way of a presentation at the Jamaica Investment Symposium held in Florida in November, a joint effort of the Consulate General of Jamaica and the Jamaica USA Chamber of Commerce. The Corporation was also a booth holder at the IADI International Exhibition held during its 6th Annual Conference, where Deposit Insurers displayed and shared with each other the various promotional material used in their respective public awareness campaigns.

CEO, Antoinette McKain and Manager Membership & Corporate Communications, Marjorie Mc Grath (right) along with Junior Fredrick, CEO of the Trinidad & Tobago Deposit Insurance Corporation, use session break to view exhibits at the 6th IADI Annual Conference in Malaysia in October, 2007.

The Corporation continued to utilize proven channels to disseminate information to the public. These included: the distribution of deposit insurance literature mainly through Policyholders; the publication of a quarterly listing of Policyholders in the newspapers; billboards, television and radio advertisements (including a 12 episode 5-minute radio serial); hosting of seminars and presentations. To a large extent the initiatives pursued during 2007/08 will continue during the new year, with emphasis on achieving the ten-year milestone.

OPERATIONAL RESOURCES AND CAPABILITIES

Human Resource Development

In developing its human resource capabilities, the Corporation is guided by a key component of its Mission which seeks to "foster an environment which encourages employees to realize their full potential and exhibit professionalism". The nature and scope of the deposit insurance business dictate an underlying focus on efficiency of operation; and to this end the Corporation seeks to operate with core staffing. Consequently, keen attention is given to recruitment, retention and deployment.

At the start of the year and as part of the Corporate Planning exercise, the Corporation undertook a preliminary review of the establishment and this resulted in an increase in the approved staff complement to thirty (30), against the twenty seven (27) in place up to year-end 2006/07. The increase facilitates some redeployment and duty separation and generally greater efficiency, primarily in the areas of Accounting and Investment Management; Risk Assessment and Intervention Readiness. The number of employees at March 31, 2008 was twenty six (26), and it is expected that the remaining positions to satisfy the approved complement will be filled in the new financial year.

Officers of the JDIC in strategic planning session.

In satisfaction of the requirements under the Public Bodies Management and Accountability Act (the PBMA Act), and in keeping with the Corporation's Performance Management System, performance was monitored and assessed during the year.

The overall performance for the Corporation was maintained at a satisfactory level.

The strategy pursued remained that of ensuring that the expertise necessary for effective execution of its functions resides within the Corporation and continual upgrading is undertaken as required. Accordingly the Corporation utilized training opportunities offered locally and overseas to enhance staff competency and efficiency in the various operational areas. In order to maximize exposure and for scale efficiency, a number of programmes were customized and conducted in-house, allowing for wider participation. In addition to ongoing training and exposure to deposit insurance, the major areas of focus for select training programmes were: Corporate Governance; Leadership Development; Enterprise Risk Management; Project Management; Financial Risk Management; Treasury Management and ICT Security.

CDIC officers (above) have members of the JDIC management fully engaged in an Enterprise Risk Management workshop.

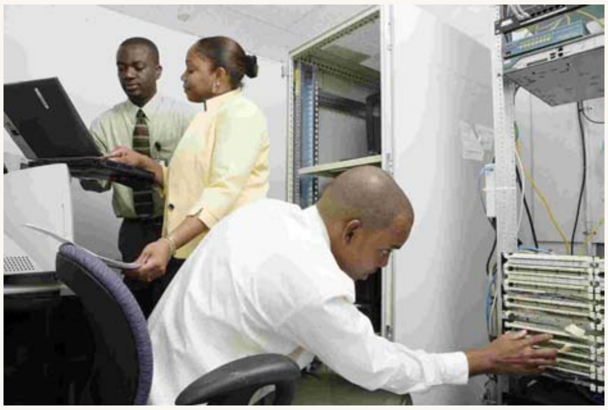
In the quest to ensure that a system is in place which offers optimum benefits to staff with respect to retirement planning, the Corporation advanced the exploration of pension/retirement facilities.

Property and Administration

During the review year the Corporation maintained its commitment to operational efficiency. This was partly reflected in the continuation of a well-run plant and equipment, contributing to a comfortable working environment to support the high standard of delivery expected from staff. The maintenance of all major machinery and equipment is outsourced; and Management sought to ensure that quality maintenance is effected through careful selection of service providers and close monitoring of service delivery schedules. During the last quarter of the year, air quality inspections were carried out in the building, and at year end plans were in place to commence implementation of the recommendations for improvement early in the new financial year.

Arising from the three-year Corporate Plan 2007/08-2009/10, the challenges faced by the Corporation with respect to accommodation were highlighted. To this end Management commenced exploration of all possible options for increasing the physical space, with emphasis on time and cost efficiencies. From the exploration emerged the decision to take a phased approach, commencing with the reconfiguration of the ground floor for more efficient use. At year end, the selection and procurement processes were completed and implementation scheduled for early in the new year.

ICT Infrastructure and Development



ICT staff working to reconfigure sections of the network.

Given that a well-developed and effective Information and Communication Technology (ICT) Infrastructure is mission-critical for the Corporation, ICT development remained one of the key business strategies. In addition to ensuring that all key functional areas receive the required technical support, priority attention was given to system security and payout applications. Extensive technical development was carried out on the existing core Payout Application, to facilitate in the short term, periodic payout simulations, and to ensure efficient payout to depositors should the Corporation be required to do so. Exploratory work continued towards a longer term system enhancement, which will see the Corporation leveraging more advanced technology for the payout function. Major strides were made regarding the ICT documentation of the Deposit Base Transfer System, a critical component of the Deposit Base Transfer project discussed under Intervention Readiness. Focus was placed on improving the IT Security systems and ICT Business Recovery strategies, and a number of safeguards were put in place during the year.These are now being incorporated into the Corporate Security and Business Continuity policies.

To mitigate the risk of server and technology obsolescence, a full assessment was carried out of all business applications currently being used by the Corporation and a project plan developed to effect the necessary upgrade, commencing in FY2008/2009.

Summary Financial Projections
To March 31, 2009

PROFIT AND LOSS ACCOUNT	YEAR ENDING MARCH 31, 2009 $'000
Total income	1,079,219
Total expenses	241,578
Surplus from operations	837,641
Deposit Insurance Fund – Balance at Beginning of Year	3,920,794
Deposit Insurance Fund – Balance at End of Year	4,758,435

CASH AND BANK	
Total inflow	2,156,506
Total outflow before investments	323,657
Investments	1,828,775
Net Inflow/ (Outflow)	4,074
Balance – March 31, 2008	2,025
Balance – March 31, 2009	6,099

BALANCE SHEET	MARCH 31, 2009 $'000
Fixed Assets	80,475
Investments	4,851,000
Current Assets	245,738
Total Assets	5,177,213
Current Liabilities	41,150
Unearned Premium Income	337,584
Capital	1,000
Capital Reserves	15,005
Fair Value Reserves	7,646
Provision for Distribution Payable	16,393
Deposit Insurance Fund	4,758,435
Total Liabilities	5,177,213

Corporate Governance

Within the context of ensuring that the best practice tenets of governance are adhered to; such as disclosure and transparency and consequently maintaining Sound Governance, the Corporation ensured that:

There was continued and timely statutory compliance with all enactments that it is governed by and/or by its functions and with regard to its employees, the Corporation or its officers are required to conform to, namely:

- The Deposit Insurance Act
- The Public Bodies Management and Accountability Act
- The Financial Administration and Audit Act
- The Access to Information Act
- The Contractor General Act
- The Corruption Prevention Act
- The Legal Profession Act; and accordingly any regulation and guideline that are issued.

Its ongoing contract review exercise was conducted and which determined that it was necessary to resubmit to competitive tender for both the services of its internal and external auditing functions. This was considered to be a positive direction to pursue for the fulfillment and assurance that the Corporation utilizes entities that will independently verify and safeguard the integrity of the Corporation as a whole as well as its financial reporting.

Its policies contemplate the relationships with and among its stakeholders. In assessing this interplay and interrelation the JDIC commenced reviewing its Governance policy generally. This is in an effort to ensure that its standards are at least comparable to industry best practice and in particular to that of its Policyholders, which is guided by "The Standards for Best Practices for Effective Governance for Deposit Taking Entities."

The year was marked by changes in the appointed members of the Board, with four new members from the private sector, inclusive of the Chairman, being appointed by the Minister as at March 31, 2008. There was no statutory change to the prescribed number of members of the Board.

JDIC in attempting to ensure that - and assess whether - its robust approach to Sound Governance maintains mechanisms and controls that are designed to reduce inefficiencies that can arise from moral hazard and adverse selection; and conclusively remaining dynamic in a changing environment - Enterprise Risk Management (ERM) was brought to the fore. The Corporation identified and determined that it was necessary to proactively protect its business enterprise while creating value for its stakeholders and as a consequence deemed it timely to effect a more structured approach to assessing its risks and opportunities and therein its exposure to the realms of ERM.

Drawing on international best practice and adopting a comparative industry approach, the Corporation turned to an international partner, the Canada Deposit Insurance Corporation (CDIC) to provide assistance in this area. The JDIC hosted two officers of the CDIC who conducted an Enterprise Risk Management Workshop from March 11-13, 2008. The exposure in sum facilitated (a) the Corporation identifying the key risks and opportunities it faces in fulfilling its mandate; (b) a high-level assessment of whether the Corporation has the people, technology and processes to manage these risks; (c) identifying new risks in the event of Policyholder shifts, membership changes and/ or mandate changes. The presentation, participation and feedback underscored the need for the JDIC to formalize an ERM Framework.

During the year, the structure and operating procedures of the Procurement Committee were streamlined and the Committee continued to discharge its responsibilities with the requisite rigour.

Performance Scorecard

Business Strategies Key Initiative - 2007/08	Performance Against Targets	Follow Through Activities
Proactive Readiness		
To develop and submit proposals for amendment to the Deposit Insurance Act (DIA) to the Ministry of Finance & the Public Service.	Cabinet decision handed down and drafting instructions issued to the Chief Parliamentary Counsel. During FY08/09 Legal Department will monitor the progress and participate in the process as is required.	Monitor passage of Bill to Parliament. Following Parliamentary approval, implement necessary adjustments to policy.
Finalize and circulate all documentation to Policyholders and obtain a Policyholder commitment for the Insured Deposit Portfolio Transfer simulation. Commence the development of the Depositor Data Interchange System (DDIS) and the planning and preparation of the first simulation.	Legal and bid documentation were submitted to Policyholders and responses received. Business process documentation completed and ICT component of the Policyholder Binder compiled and under review.	Sign off on DDIS documentation and circulate project plan to Policyholders. Develop the Corporation's component of the DDIS and commence planning, in conjunction with a Policyholder, for the first simulation.
Develop Payout Modules, Flow Charts, Check Lists and Work Plans	Three (3) of four (4) modules were reviewed during the quarter and were in the final stages of completion.	Complete the three (3) modules and develop and complete the fourth.
Develop Operational Guidelines to give effect to Section 5 (2) (d) deductions under the DIA	Legal review completed and outline of Guidelines drafted.	Completion of Guidelines.
Documentation of Adjustment Guidelines – procedures and internal controls for adjusting depositors accounts in a payout.	Guidelines completed.	-
Policyholder Record Keeping Requirements Make Preparation for Admission of Credit Unions into the DIS	Operational and legal research completed to facilitate the determination of the Corporation's information needs. Review of Policyholders' deposit and loan data dictionaries commenced. No specific JDIC action (with respect to commencement of admission) expected this year given that promulgation has been protracted.	Fully determine the Corporation's information needs and if necessary draft proposal for the promulgation of regulations. Review the records of the Policyholder to determine the extent to which the Corporation's requirements are being satisfied. Continue to collaborate with the Ministry and the Bank of Jamaica regarding finalization of Regulations; and move to admission process thereafter.

Business Strategies Key Initiative - 2007/08	Performance Against Targets	Follow Through Activities
Proactive Readiness		
Payout Training & Modular Simulations	Significant progress was made for two (Media Communications and Ledger Balancing & Clearing Accounts) of the three simulations. The procurement process is to be completed for the Cheque Clearing and Correspondent Bank & Suspense Accounts component.	Conduct the training and simulation exercises.
Team Leaders' Orientation & Training	Rescheduled to FY 2008/09.	Staging of Orientation and Training
Instructor's Payout Training Manual	Project completed with finalization of last two (2) of ten (10) modules	-
Research into policy and structure of Deposit Insurance Scheme • Coverage limit review	Research work completed ahead of schedule and facilitated Ministerial Order made to increase limit to $600,000 effective July 1, 2007.	-
• Examination of products qualifying for deposit insurance.	Project Charter completed.	Prepare detailed work plan and deliverables and commence implementation.
Augment Risk Assessment Framework (RAF) through more timely information and depth of analysis; and undertake annual Fund adequacy review.	Electronic data sharing with JDIC did not materialize due to delay of Supervisor's information systems project. Notwithstanding, manual flow of data and verbal updates from Supervisor continued to be improved.	Continued collaboration with Supervisor and execution of monitoring and assessment within the RAF. Fund adequacy review practically completed at year end (completed in April 08).
Strong Partnerships		
Develop form to capture operational information supplemental to Form 2 (Return of Insurable Deposits)	Rescheduled for 2008/09 and Policyholders were alerted to the pending introduction.	Develop form for dispatch at Policyholder anniversary date in October/November 2008.
Review of Intervention Matrix	Review of internal issues completed. Initial discussion with the BOJ scheduled.	Collaborate with other Financial Regulatory Council (FRC) members to agree on the amendments to the Matrix.

Business Strategies Key Initiative - 2007/08	Performance Against Targets	Follow Through Activities
ICT Development		
Implement ICT infrastructure which will support and maintain all planned ICT Applications with emphasis on the main payout application – RoadMap.	Current RoadMap application server upgraded. The Test and Model Office Environments have been configured.	All three environments (Test, Model Office and Production) to be further upgraded in the Infrastructural project.
Implementation of payout application (RoadMap), which will serve as JDIC's core Business Application	Required modifications documented and implementation plan developed.	Implement project.
Development of ICT Disaster Recovery and Business Continuity Policy and Plan	Interim ICT Business Recovery Plan developed.	Develop comprehensive plan.
Financial Accounting Solution	Feasibility of selected financial software undertaken and decision re acquisition pending.	Selection process to be reviewed and decision taken on acquisition.
Review Request for Proposals (RFPs) pending • Records Management • Risk Assessment • Payroll • Human Resource Management • Fixed Assets Management.	All RFPs have been reviewed.	Procurement process for acquisition of the appropriate solutions to commence.
Review existing ICT policies and procedures in place with a view to developing or updating same.	ICT policies have been reviewed and updated and draft implementation schedule prepared for further development.	Implement project for further development of ICT policies and procedures.
Implement data exchange system to utilize electronic linkages between BOJ, Policyholders and JDIC.	Data exchange system implemented at JDIC.	Commence electronic exchange of data subject to BOJ timetable.
Establish enterprise management infrastructure	Functional requirements being developed.	Complete functional requirements and move to implement system.
Establish Data Management Centre	Data Management Centre development in progress.	Complete development work and establish Centre
Conduct audit of ICT processes	Completed.	-

Business Strategies Key Initiative - 2007/08	Performance Against Targets	Follow Through Activities
Sound Governance		
Evaluate Performance Management System	Project rescheduled to facilitate transition in HRA personnel	Execute project.
Prepare Disaster Recovery and Business Continuity Plan	Consultant engaged to facilitate the project and at year end preliminary report submitted and under review.	Complete review and finalise preparation of plans.
Board Governance Policy development	Approval for implementation was not effected as new Board only appointed at year end.	To obtain approval and effect ongoing implementation.
Review and finalize Accounting/ Payroll and Investment/Treasury Management Procedures Manuals	Two (2) Consultants selected to review and finalise draft manuals. These projects will be completed in FY 2008/09.	In collaboration with Consultants finalize manuals.
Review Organizational Structure & Implement Succession Planning System	Deferred until FY 2008/09.	Implement review.
Public Awareness		
Execute Public Awareness Campaign	Executed the three phases as scheduled; focusing on insured and uninsured products, through print and electronic media. In collaboration with other Safety Net Participants several forums held across the island.	-
Collaborate with Policyholders to assist in dissemination of information to the public	Liaison with Policyholders continued and facilitated dissemination of deposit insurance information to their customers.	-
To review and enhance Payout Communications Manual	Completion pending execution of Media Communication simulation.	Review and update Manual.
Conduct Periodic Surveys	Informal survey conducted through Policyholder locations. Formal Survey rescheduled for 2008/09.	Conduct formal survey.

Membership & Policyholder Performance

Under the Deposit Insurance Act, 1998 membership of the Deposit Insurance Scheme is mandatory for all deposit-taking financial institutions licensed under the Banking Act, the Building Societies Act and the Financial Institutions Act. As at March 31, 2008 the number of institutions insured under the scheme remained at fourteen (14), with the only development being a name change for DB&G Merchant Bank Limited to Scotia DBG Merchant Bank Limited on March 19, 2008 (The Bank of Nova Scotia Jamaica Limited had acquired majority shareholding in the DBG entities in 2006).

Commercial Banks (6)	Bank of Nova Scotia Jamaica Limited
	Citibank N.A.
	FirstCaribbean International Bank (Jamaica) Limited
	First Global Bank Limited
	National Commercial Bank Jamaica Limited
	RBTT Bank Jamaica Limited
Building Societies (4)	FirstCaribbean International Building Society
	Jamaica National Building Society
	Scotia Jamaica Building Society
	Victoria Mutual Building Society
FIA Licensees (4)	Capital & Credit Merchant Bank Limited
	MF&G Trust & Finance Limited
	PanCaribbean Merchant Bank Limited
	Scotia DBG Merchant Bank Limited

POLICYHOLDER PERFORMANCE

During the review year, significant matters of concern in the Policyholder environment were the challenges facing the global economy, including, but not limited to, the sub-prime mortgage crisis, the credit and liquidity crunch and uncertainties in financial markets. Policyholders remained alert to any possible repercussion from the turbulence in financial markets internationally. As well, the banking sector grappled with upsurge in competition from unregulated financial 'schemes' which gained heightened attention during the period.

The dynamics of the Policyholder environment resulted in changes in the ownership and/or governance structures of some Policyholders during the one-year period. Financial and other conglomerates were being restructured to allow for greater efficiency and regulatory transparency. For the one-year period, the banking sector exhibited heightened asset base levels reflected mainly in general loan portfolio expansion and supported primarily by deposit base increase. Relative to the mid-1990s, the banking sector is adjudged now more resilient, given the strengthening of regulatory and supervisory oversight as well as the adequacy of assessed levels of capital and credit buffers, and the sustainability of earnings.

For the twelve month review period ended March 31, 2008 the banking sector reported unaudited pre-tax profits totalling $7,902 million. This represented overall year over year increase by $3,186 million or 67.6 percent, with noted fluctuations between quarters. The banking sector's overall improvement in earnings resulted, in large measure, from better net interest income (NII) and net extraordinary income. As a result, with the exception of the sector's efficiency ratio, the remaining key profitability indicators were superior relative to the prior year's outturn.

The sub-sectors (commercial bank, building society and FIA licensees) exhibited mixed profit results, year over year. The commercial bank sub-sector and the building society sub-sector recorded growth in pre-tax profit respectively; by 41 percent to total $5,638 million and by 348 percent to total $2,036 million for the one year period ended March 31, 2008. On the other hand, over the similar period the FIA licensees sub-sector recorded decline in pre-tax profits by 16 percent to total $228 million. Accordingly, the portion of sub-sector pre-tax profit comprising the banking sector's total was reallocated upwards in respect of the building society sub-sector, to 25.8 percent from 9.6 percent in 2007 while the commercial bank sub-sector and the FIA licensees sub-sector accounted for a lesser portion of the banking sector's total, 71.3 percent and 2.9 percent respectively versus 84.6 percent and 5.8 percent of total for March 2007.

The general emphasis on growing the credit portfolio was sustained. Loan portfolio expansion contributed to the banking sector's overall growth in revenue, which doubled the previous year's outturn and was dominated by the dollar value rise in interest income. The aggregate of non-core revenues (for example – fees, service charges and commission) grew significantly in percentage terms.

Generally, the banking sector's cost of doing business rose by 18 percent over the one-year period with interest expense growing by around 10 percent while overhead cost grew by 23 percent. The banking sector's efficiency ratio [overhead expenses/ (NII + Other Revenues)] was estimated at about 69 percent, a worsened result relative to 67 percent for 2007; and remained outside the international benchmark ceiling of 60 percent.

Fuelled primarily by deposit base expansion of 14 percent, the banking sector's total assets (including contingent liabilities) increased by 11 percent to sum to $675,373 million as at March 31, 2008. Loans & advances reflected the largest increment to total assets having grown by $49,337 million or 22 percent to total $272,484 million. Loan & advances accounted for over 40 percent of total assets. Credit quality was deemed generally good as supported by prudent levels of loan loss provisioning and key credit ratios for the banking sector being well within the internationally acceptable limits.

The banking sector's statutory capital base was boosted by more than 10 percent bringing the total to $61,063 million at review date and auguring well for the stock of core capital and the general adequacy of capital buffer within the sector. Notwithstanding the popular perception regarding the divergence of funds from the banking sector into unregulated financial 'schemes', the banking sectors deposit base consistently grew quarter over quarter to total $425,109 million as at March 31, 2008 reflecting a 14 percent growth over the prior period's $372,743 million. Deposit liabilities accounted for nearly 63 percent of total assets; an improvement in the funding from traditional source relative to the March 2007 ratio of 61 percent.

International Relations

Developments in the global economy during the year served as a powerful reminder of the narrowing of borders through technological innovation and convergence of issues facing market players worldwide. In this context of dynamism, the JDIC remained fully cognizant of the importance of international cooperation and collaboration; particularly as its own establishment is comparatively new. During the year, the Corporation continued to benefit from - and contribute to - the international deposit insurance community through its own work as a member of the International Association of Deposit Insurers (IADI) as well as through institution-to-institution cooperation. Training and exposure opportunities were afforded through various IADI meetings, conferences and seminars.

In its sixth year, the International Association of Deposit Insurers continues to grow from strength to strength, exemplifying to its members at large, the capacity to remain relevant in a dynamic environment. The participation in and the membership of IADI grew during the year with the addition of four deposit insurers; Barbados, Poland, Guatemala and the United Kingdom. As at March 2008 the membership of IADI was 51.

The 6th Annual Conference and Annual General Meeting (AGM) of IADI held October 31 – November 2, 2007, was hosted by the Malaysia Deposit Insurance Corporation (MDIC) in Kuala Lumpur under the theme "Deposit Insurance and Consumer Protection". The newly established Legal Committee, of which JDIC's CEO Ms Antoinette McKain was appointed Chair, held its first meeting at the IADI Conference and AGM. Through this participation the Corporation has bolstered its involvement in this Association and will continue to be a contributor to the work of IADI. At this first meeting of the Legal Committee, the Terms of Reference and issues of membership were discussed and reviewed and work began in addressing the Committee's first assignment - the assessment and extent of IADI's copyright in its work and research.

JDIC's Claims & Recoveries Manager, Eloise Dunkley among participants from several other deposit insurance agencies, in Executive Training Programme at the FDIC, July, 2007.

The Caribbean Regional Committee of IADI, also chaired by Ms McKain, commenced discussions on the following areas:

- An agreement for the sharing of upcoming business plans with a view to determining future cost-sharing regarding payout information systems.
- An agreement to consider the establishment of a formal memorandum of understanding (MOU) among Caribbean deposit insurance agencies, to facilitate information sharing and technical cooperation.
- Conducting a joint review of the Draft CARICOM Financial Services Agreement.

The probability of such proposed collaboration not only demonstrates the importance of forums such as IADI, but is of equal significance for the fostering of Caribbean regional inter-action and integration against the backdrop of the Caribbean Single Market and Economy.

International cooperation facilitated training collaboration in a number of areas, these included:

- The Manager, Claims and Recoveries, participated in IADI's first Executive Training Programme held July 23-26, 2007. The programme, hosted by the Federal Deposit Insurance Corporation, Washington D.C., USA, focused on two critical challenges for deposit insurers: (i) Designing, Organizing, Governing and Continuous Improvements of a Deposit Insurance Programme and (ii) Claims and Recoveries.

- Under the auspices of the Commonwealth Fund for Technical Cooperation/ Governance & Institutional Development Division (CFTC/GIDD), two representatives from Jamaica's financial regulatory system (JDIC and FSC) received awards to participate in the Malta-Commonwealth Third Country Training Programme - Insurance Regulation and Supervision. The Director, Insurance & Risk Assessment, was JDIC's recipient and participated in the programme hosted by the Malta Training Institute from February 4 - 8, 2008. The presenters were drawn from the Maltese regulatory authority and the private insurance industry. Country presentations highlighting developments in the respective regulatory environments were made by all participants. Jamaica's presentation included discussions on the exploratory work on Compensation Schemes for the insurance and pension industries, being led by the FSC.

- In March, 2008, through collaboration between the Jamaica Deposit Insurance Corporation and the Canada Deposit Insurance Corporation, JDIC's officers participated in a workshop on Enterprise Risk Management implementation for JDIC. Arising from the workshop, facilitated by two officers of the CDIC, the JDIC confirmed the need for a structured ERM Framework, and this has been set as a priority agenda item for the 2008/09 strategic planning exercise.

Appendix 1

Prudential Indicators of Commercial Banks, Licensees Under the Financial Institutions Act (FIA) and Building Societies Published pursuant to Section 16 (6) of the Banking Act and the FIA and Regulation 49 of the Bank of Jamaica (Building Societies) Regulations, 1995

31 MARCH 08

	COMMERCIAL BANKS			FIA LICENSEES			BUILDING SOCIETIES			System Total (aggregation of all 3 sectors)		
	Mar-08	Mar-07	Mar-06	Mar-08 [b]	Mar-07 [b]	Mar-06 [c]	Mar-08	Mar-07	Mar-06	Mar-08	Mar-07	Mar-06
Number of institutions in operation	6	6	6	4	4	5	4	4	4	14	14	15
J$MN												
[1]**Total Assets** (incl. contingent accounts)	506,961	452,424	395,064	41,255	47,399	47,246	127,157	108,741	92,557	675,373	608,564	534,867
[2]**Total Assets** (excl. contingent accounts)	492,939	436,476	383,213	40,522	46,575	46,772	127,086	108,673	92,492	660,547	591,724	522,477
Cash & Bank Balances	97,241	75,980	73,691	3,406	2,118	2,067	20,598	16,129	12,580	121,245	94,227	88,338
Investments [incl. Securities Purch.] (net of prov.)	165,572	161,247	145,773	21,123	28,240	34,198	34,959	38,820	36,472	221,654	228,307	216,443
Total Loans (gross)	194,847	164,106	131,964	14,396	13,406	8,973	63,241	47,162	38,309	272,484	224,674	179,246
Total Loans (net of IFRS prov.) [a]	191,755	161,127	129,212	14,320	13,350	8,925	62,612	46,539	37,699	268,687	221,016	175,836
Total Deposits	321,589	281,935	255,315	16,984	14,816	13,043	86,536	75,992	66,065	425,109	372,743	334,423
Borrowings (incl. repos)	88,177	78,205	61,901	14,412	22,829	25,606	15,901	11,276	7,196	118,490	112,310	94,703
Non-Performing Loans [NPL] (3 mths & >)	4,142	3,447	3,100	551	515	170	1,645	1,554	1,322	6,338	5,516	4,592
Provision for Loan Losses	5,321	4,554	4,074	220	181	133	1,132	1,018	929	6,673	5,753	5,136
[3] **Capital Base**	43,263	39,099	35,451	5,445	5,219	5,205	14,149	12,605	11,115	62,857	56,923	51,771
Contingent Accts [Accept., LC's & Guarantees]	14,022	15,948	11,851	733	824	474	71	68	65	14,826	16,840	12,390
Funds Under Management	0	0	0	235	201	186	0	0	0	235	201	186
Repos on behalf of or for on-trading to clients	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
%												
Rate of Asset [1] Growth	12.1%	14.5%	13.0%	-13.0%	0.3%	-6.2%	16.9%	17.5%	11.3%	11.0%	13.8%	10.7%
Rate of Deposit Growth	14.1%	10.4%	9.1%	14.6%	13.6%	33.3%	13.9%	15.0%	10.0%	14.0%	11.5%	10.0%
Rate of Loans Growth (gross)	18.7%	24.4%	11.4%	7.4%	49.4%	27.2%	34.1%	23.1%	22.6%	21.3%	25.3%	14.4%
Rate of Capital Base Growth	10.6%	10.3%	13.9%	4.3%	0.3%	44.9%	12.2%	13.4%	60.6%	10.4%	10.0%	24.3%
Rate of NPL (3 Mths &>) Growth	20.2%	11.2%	3.3%	7.0%	202.9%	13.3%	5.9%	17.5%	8.9%	14.9%	20.1%	5.2%
Investments :Total Assets [1]	32.7%	35.6%	36.9%	51.2%	59.6%	72.4%	27.5%	35.7%	39.4%	32.8%	37.5%	40.5%
Loans (net of prov.):Total Assets [1]	37.8%	35.6%	32.7%	34.7%	28.2%	18.9%	49.2%	42.8%	40.7%	39.8%	36.3%	32.9%
Fixed Assets:Total Assets [1]	1.7%	1.8%	2.0%	1.0%	0.8%	0.5%	1.6%	1.8%	2.2%	1.6%	1.7%	1.9%
Loans (gross) : Deposits	60.6%	58.2%	51.7%	84.8%	90.5%	68.8%	73.1%	62.1%	58.0%	64.1%	60.3%	53.6%
Liquidity												
Average Domestic Currency Cash Reserve: Average Prescribed Liabilities [4]	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	1.0%	1.0%	1.0%	7.1%	7.1%	7.0%
Average Domestic Currency Liquid Assets: Average Domestic Prescribed Liabilities [4]	33.4%	36.7%	41.0%	29.7%	38.2%	36.6%	11.7%	21.9%	23.4%	28.1%	33.1%	36.6%
Asset Quality												
Prov. For Loan Losses:Total Loans (gross)	2.7%	2.8%	3.1%	1.5%	1.4%	1.5%	1.8%	2.2%	2.4%	2.4%	2.6%	2.9%
Prov. For Loan Losses : NPL (3 Mths &>)	128.5%	132.1%	131.4%	39.9%	35.1%	78.2%	68.8%	65.5%	70.3%	105.3%	104.3%	111.8%
NPL (3 Mths &>):Total Loans (gross)	2.1%	2.1%	2.3%	3.8%	3.8%	1.9%	2.6%	3.3%	3.5%	2.3%	2.5%	2.6%
NPL (3 Mths &>) : (Total Assets [1] + Provision for loan losses)	0.8%	0.8%	0.8%	1.3%	1.1%	0.4%	1.3%	1.4%	1.4%	0.9%	0.9%	0.9%
Capital Adequacy												
Deposits + Borrowings: Capital (:1)	9.5	9.3	9.0	5.8	7.3	7.5	7.3	7.0	6.7	8.7	8.6	8.4
Capital Base:Total Assets [1]	8.5%	8.6%	9.0%	13.2%	11.0%	11.0%	11.1%	11.6%	12.0%	9.3%	9.4%	9.7%
[5]Capital Adequacy Ratio [CAR]	15.7%	15.5%	18.5%	26.0%	21.5%	27.7%	19.6%	20.3%	20.3%	17.1%	16.8%	19.5%
NPL (3 mths &>):Capital Base+Prov for loan losses	8.5%	7.9%	7.8%	9.7%	9.5%	3.2%	10.8%	11.4%	11.0%	9.1%	8.8%	8.1%
Profitability												
[6] Pre - tax Profit Margin (*for the Calendar Quarter*)	31.8%	26.8%	29.4%	20.2%	22.5%	29.8%	61.1%	16.1%	29.2%	35.6%	24.9%	29.4%
Return on Average Assets (*for the Calendar Quarter*)	1.1%	0.9%	1.0%	0.5%	0.6%	0.8%	1.6%	0.4%	0.8%	1.2%	0.8%	1.0%
[7]Income Assets/Expense Liabilities (*at 31 March*)	103.2%	102.7%	102.5%	116.4%	111.5%	113.5%	109.7%	108.3%	110.8%	105.2%	104.4%	104.9%

Appendix 1
cont'd.

Notes:
n/a not applicable

- Based on unaudited data submitted to BOJ by supervised institutions up to 2 May 2008. Prior years indicators may have revi

[a] **- Effective January 2004, the Bank of Jamaica revised its reporting requirements in line with International Financial Reporting Sta following change was effected:**

The composition of "Provision for Loan Losses" has been segregated into two (2) distinct components being:
i) provision for losses computed in accordance with IFRS; and
ii) any incremental provisioning necessary under prudential loss provisioning requirements.
Consequently, "Total Loans (net of prov.)" represents gross loans net of IFRS loan loss provisions per (i) above

[b] **- Effective 19 March 2008, DB&G Merchant Bank Ltd. was renamed Scotia DBG Merchant Bank Ltd. This follows the 2007 acquisition o the immediate parent company of DB&G Merchant Bank, by Scotia Group Jamaica Ltd. Similarly, effective 31 March 2008, De Scotia DBG Investments Ltd.**
In order to facilitate accounting reporting on a consolidated basis, Scotia DBG Merchant Bank's financial year end was c year end of the other companies in the Scotia Group.

[c] **- Effective 31 Oct 06, Citimerchant Bank transferred its Assets and Liabilities to Citibank N.A. (Jamaica Branch), where these Asse until 5 Mar 07, when Citimerchant Bank surrendered its deposit - taking licence. As a result, the number of licensees in operation were red**

- During April 2006, the Minister of Finance approved the granting of a licence under the Banking Act to Pan Caribbean Merchant Ba change of name of PCMB is effected.

[1] **Total Assets and Liabilities reflected net of Provision for Losses and include Contingent Accounts (Customer Liabilities for Accepta In keeping with IFRS, Total Assets and Liabilities were redefined to include Contingent Accounts.**

[2] **Total Assets net of Provision for Losses and Contingent Accounts (Customer Liabilities for Acceptances, Guarantees and Let**
[3] **Capital Base - Banks & FIA Licensees: (Paid - up Capital + Reserve Fund + Retained Earnings Reserve Fund + Share Premium) less imp**
- Building Societies: (Permanent Capital Fund + Deferred Shares + Capital Shares + Reserve Fund + Retained Earnings Reserve Fun
[4] **Prescribed Liabilities include:**
(i) deposit liabilities, (ii) reservable borrowings and interest accrued and payable on (i) & (ii).
[5] **Capital Adequacy Ratio (CAR): Qualifying Capital (Tier 1 + Tier 2 capital items less prescribed deductions) in relation to Risk Weighte**
[6] **Data includes extraordinary income/expenditure and adjustments for prior period.**
[7] **Income Assets comprise FC Cash Reserves, Placements, Investments, Repo Assets and Loans less Non-Performing Loans (**
Expense Liabilities comprise Deposits and Borrowings including Repo Liabilities (from BOJ, Banks, OFI etc).

Statutory Reserve Requirements :

	COMMERCIAL BANKS			FIA LICENSEES			BUILDING SOCIETIES **		
	Mar-08	Mar-07	Mar-06	Mar-08	Mar-07	Mar-06	Mar-08	Mar-07	Mar-06
Required Special Deposit Ratio *	n/a	n/a	1.0%	n/a	n/a	1.0%	n/a	n/a	n/a
Required Cash Reserve ratio	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	1% / 9%	1% / 9%	1% / 9%
Required Liquid Assets ratio (incl Cash Reserve)	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	5% / 23%	5% / 23%	5% / 23%

* 5% Special Deposit requirement imposed on Commercial Banks and FIA Licensees in Jan 2003 pursuant to Section 28
Effective 16 May 2005, the required Special Deposit Ratio was reduced to 1%, following from a reduction to 3% on 1 March 2005.
Effective 1 May 2006, the Special Deposit Ratio was removed.
** The requirements are differentially applied to societies not meeting the prescribed threshold of residential mortgage l
Societies that meet the prescribed 'qualifying assets' threshold attract the lower reserve requirements indicated a
to meet the requirements which apply to banks and FIA licensees.

Financial Institutions Supervisory Division
Bank of Jamaica

Appendix 11

Deposit Profile of Insured Institutions at Current Coverage Limit of $600,000 as at December 31, 2007							
Institutions	Total Insurable Deposits ($'000)	% of Insurable Deposits Total	Estimated Insured Deposits ($'000)	% of Insured Deposits Total	Total No. of Accounts Insurable	No. of Accounts Fully Insured	% of Accounts Fully Insured
Commercial Banks	295,515,786	74.55	142,685,010	73.49	2,185,597	2,125,316	97.24
Building Societies	83,905,993	21.17	49,834,511	25.67	1,591,252	1,563,872	98.28
FIA Licensees	16,991,338	4.29	1,640,192	0.84	10,033	8,361	83.33
Grand Total	396,413,167	100.00	194,159,713	100.00	3,786,882	3,697,549	97.64

Senior Executive Compensation

Basic Salary Range			$2,906,006 - $6,423,520
Allowances			
Chief Executive Officer	- Residence (Security)		$ 54,000
	- Motor Vehicle		$1,950,753
	- Medical & Group Life		$ 212,371
Executive Directors	- Motor Vehicle		$ 568,812
	- Medical & Group Life	$165,295 -	$ 193,735

Notes:

i. The Senior Executive group comprises the Chief Executive Officer and four Executive Directors, including the Legal Counsel/Corporate Secretary.

ii. The CEO is employed on a contractual basis and is entitled to a fully maintained motor vehicle or an allowance in lieu of a motor car.

iii. The Senior Executive group is employed on a contractual basis and is entitled to gratuity payments of twenty five percent of annual basic salary.

Financial Statements

March 31, 2008

Jamaica Deposit Insurance Corporation
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31 March 2008

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
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Kingston Jamaica
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Independent Auditors' Report

To the Members of
Jamaica Deposit Insurance Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of Jamaica Deposit Insurance Corporation, set out on pages 49 to 69, which comprise the balance sheet as of 31 March 2008 and the statement of operations, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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 misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

PRICEWATERHOUSECOOPERS

Members of Jamaica Deposit Insurance Corporation
Independent Auditors' Report
Page 2

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as of 31 March 2008 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

Chartered Accountants

25 June 2008
Kingston, Jamaica

Jamaica Deposit Insurance Corporation

Statement of Operations

Year ended 31 March 2008

(expressed in Jamaican dollars unless otherwise indicated)

	2008 $'000	2007 $'000
Revenue		
Insurance premiums	484,120	437,732
Interest earned	477,478	374,415
Foreign exchange gain	3,273	3,182
Other income	-	928
	964,871	816,257
Expenses		
Administration expenses (Note 6)	148,975	126,477
SURPLUS FROM OPERATIONS	815,896	689,780

Jamaica Deposit Insurance Corporation

Balance Sheet

31 March 2008

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2008 $'000	2007 $'000
ASSETS			
Investment securities	8	4,019,144	3,248,803
Cash at bank		2,025	6,815
Receivables	9	160,947	97,111
Property, plant and equipment	10	62,167	64,074
		4,244,283	3,416,803
LIABILITIES AND SHAREHOLDER'S EQUITY			
Liabilities			
Unearned premium income	11	301,401	268,813
Payables		20,128	17,254
		321,529	286,067
Shareholder's Equity			
Share capital	12	1,000	1,000
Capital reserves	13	15,006	15,006
Fair value reserves		(14,046)	9,832
Deposit insurance fund	14	3,920,794	3,104,898
		3,922,754	3,130,736
		4,244,283	3,416,803

Approved by the Board of Directors on 25 June 2008 and signed on its behalf by:

Roald Hendriques Chairman

Antoinette McKain Director

Jamaica Deposit Insurance Corporation
Statement of Changes in Equity
Year ended 31 March 2008
(expressed in Jamaican dollars unless otherwise indicated)

	Share Capital	Capital Reserves	Fair Value Reserves	Deposit Insurance Fund	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 31 March 2006	1,000	15,006	(2,080)	2,415,118	2,429,044
Unrealised gain on available-for-sale investments	-	-	11,912	-	11,912
Net surplus	-	-	-	689,780	689,780
Total recognised income for 2007	-	-	-	689,780	689,780
Balance at 31 March 2007	1,000	15,006	9,832	3,104,898	3,130,736
Unrealised loss on available-for-sale investments	-	-	(23,878)	-	(23,878)
Net surplus	-	-	-	815,896	815,896
Total recognised income for 2008	-	-	-	815,896	815,896
Balance at 31 March 2008	1,000	15,006	(14,046)	3,920,794	3,922,754

Jamaica Deposit Insurance Corporation

Statement of Cash Flows

Year ended 31 March 2008

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2008 $'000	2007 $'000
Cash Flows from Operating Activities			
Surplus from operations		815,896	689,780
Adjustments for:			
Depreciation		3,963	4,974
Interest income		(477,478)	(374,415)
Unearned premium income		32,588	23,091
Foreign exchange gains		(3,273)	(3,182)
Loss on disposal of property plant and equipment		-	365
		371,696	340,613
Changes in non-cash working capital components:			
Other receivables		(63,836)	(46,400)
Payables		2,874	(852)
		(60,962)	(47,252)
Cash provided by operating activities		310,734	293,361
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(2,056)	(1,500)
Proceeds from disposal of property, plant and equipment		-	2,329
Investment securities		(758,897)	(679,285)
Interest received		445,384	377,228
Cash used in investing activities		(315,569)	(301,228)
Effect of exchange rate changes on cash balances		45	12
Decrease in cash balance at end of year		(4,790)	(7,855)
Cash balance at the beginning of the year		6,815	14,670
CASH BALANCE AT THE END OF THE YEAR		2,025	6,815

1. Identification and Principal Activity

The Jamaica Deposit Insurance Corporation (the Corporation) is incorporated and domiciled in Jamaica. The Corporation was established in accordance with the Deposit Insurance Act, 1998 (the Act) and commenced operations on 31 August 1998. The registered office of the Corporation is located at 30 Grenada Crescent, Kingston 5.

The principal objective of the Corporation is to manage a scheme to provide insurance against the loss of deposits held in insured financial institutions, up to a maximum of $600,000 per depositor, in each right and capacity, in each institution.

The Corporation has the power to do all things necessary or incidental to the furtherance of its objects, including levying premiums and fees on policyholders and managing a Deposit Insurance Fund. Among other things it can make enquiries of a policyholder as to the conduct of its affairs and act as receiver, liquidator or judicial manager of any insolvent policyholder, or of its holding company or subscriber, which becomes insolvent.

2. Significant Accounting Policies

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

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), and have been prepared under the historical cost convention as modified by the revaluation of available-for-sale investment securities and other financial assets.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Corporation's accounting policies. Although these estimates are based on managements' best knowledge of current events and action, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

Standards, interpretations and amendments to published standards effective in 2007

Certain interpretations and amendments to existing standards have been published that became effective during the current financial year. The Corporation has assessed the relevance of all such new standards, interpretations and amendments, and has effected the following IFRS, which is immediately relevant to its operations. The 2007 comparative figures have been amended as required, in accordance with the relevant requirements.

IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Corporation's financial instruments.

There was no impact on the opening balance of the Fund as at 1 April 2006 from the adoption of the above mentioned standard. There are no other standards, amendments or interpretations that became effective during the year that have resulted in any change to the corporation's accounting policies.

2. Summary of Significant Accounting Policies

(a) Basis of preparation (continued)

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

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

IAS 1 Presentation of Financial Statements (Revised) (effective for annual periods beginning on or after 1 January 2009). The main objective in revising IAS 1 was to aggregate information in the financial statements on the basis of shared characteristics. IAS 1 will affect the presentation of owner changes in equity and of comprehensive income. It will not change the recognition, measurement or disclosure of specific transactions and other events required by other IFRSs. IAS 1 will require an entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (ie comprehensive income) will be required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income will not be permitted to be presented in the statement of changes in equity. Management is currently assessing the impact of these changes.

The Corporation has concluded that the following standards, interpretations and amendments to existing standards, which are published but not yet effective, are not relevant to its operations and will therefore have no material impact on adoption.

IAS 23 (Amendment) Borrowing Costs

IAS 27 (Revised) Consolidated and Separate Financial Statements

IAS 32 Financial Instruments: Presentation/ IAS 1 Presentation of Financial Statements (Amendments) - Puttable Financial Instruments and Obligations Arising on Liquidation

IFRS 2 (Amendment) Share-based Payment - Vesting Conditions and Cancellations

IFRS 3 (Revised) Business Combinations

IFRS 8 Operating Segments

IFRIC 11 Group and Treasury Share Transactions

IFRIC 12 Service Concession Arrangements

IFRIC 13 Customer Loyalty Programmes

IFRIC 14 IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

2. Significant Accounting Policies (Continued)

(b) Foreign currency translation

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions. At the balance sheet date monetary liabilities denominated in foreign currency are translated using the closing exchange rate. Exchange differences arising from the settlement of transactions at rates different from those at the dates of the transactions and unrealized foreign exchange difference on unsettled foreign currency monetary assets are recognised in the statement of operations.

(c) Premium income

Premiums are based on the amount of insurable deposits held by member institutions as at 31 December of the previous year. Insurance premiums are payable initially on the issuance of a policy and subsequently in annual or half yearly installments on or before the policy's anniversary date. Premium income is recognised on the accrual basis.

(d) Receivables

Receivables are carried at original amounts less provision made for impairment of these receivables. A provision for impairment of receivables is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest.

(e) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand, and represent available-for-sale financial assets.

(f) Payables

Payables are stated at historical cost.

(g) Investments

The Corporation classifies investments into the following categories: held-to-maturity and available-for-sale financial assets. Management determines the appropriate classification of investments at the time of purchase.

(i) Held-to-maturity

Held-to-maturity investments are non derivative financial assets with fixed or determinable payments and fixed maturities that the Corporation's management has the positive intention and ability to hold to maturity. Where the Corporation sells other than an insignificant amount of held-to-maturity assets, the entire category would be compromised and reclassified as available-for-sale.

2. Significant Accounting Policies (Continued)

(g) Investments (continued)

(ii) Available-for-sale

Investments intended to be held for an indefinite period of time, which may be sold in response to liquidity needs or changes in interest or exchange rates are classified as available-for-sale. These investments are initially recognised at cost, which includes transaction costs, and are subsequently remeasured at fair value based on 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 equity. When securities are disposed of or impaired, the related accumulated fair value adjustments are included in the statement of operations as gains and losses from investment securities.

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

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

(h) Property, plant and equipment

Land and buildings are shown at fair value based on triennial valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less depreciation.

Increases in the carrying amount arising on the revaluation of land and buildings are credited to capital reserves in shareholder's equity. Decreases that offset previous increases of the same asset are charged against capital reserves directly in equity; all other decreases are charged to the profit and loss account.

Land is not depreciated. Depreciation on other assets is calculated on a straight-line basis over the expected useful life of each asset held at the beginning of the year at the following rates:

Building	2.5%
Freehold improvement	2.5%
Furniture and fixtures	10%
Motor vehicles	20%
Computers	20%
Machines and equipment	10%

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. Repairs and renewals are charged to the statement of operations when the expenditure is incurred.

2. Significant Accounting Policies (Continued)

(i) Interest income

Interest income is recognised in the profit and loss account for all interest bearing instruments on an accrual basis unless collectibility is doubtful.

(j) Provision for losses

The Act requires that the Corporation shall review the size of its Deposit Insurance Fund at least annually having regard to its liabilities and potential liabilities and taking into account the advice of duly qualified professionals and, as necessary, make such recommendation to the Minister as it deems appropriate to enable it to meet its obligations.

In the event that the ultimate insurance losses exceed the Deposit Insurance Fund, the Corporation may, with the approval of the Minister, increase annual premiums and recommend that the Government increase its contributions by way of advances to the Fund.

No claim has been made on the Corporation to date and, based on the most recent review, management does not deem it necessary to make any provision for losses at this time.

(k) Financial instruments

Financial instruments carried on the balance sheet include cash resources and investment securities.

(l) Comparative information

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year. In particular, the comparatives have been extended to reflect the requirements of IFRS 7.

3. Income Taxes and Insurance Legislation

The Corporation is exempt from income tax, transfer tax, stamp duty, recording and registration fees and is also exempt from the provisions of the Insurance Act under Sections 21 and 8, respectively, of the Deposit Insurance Act, 1998.

4. Critical Accounting Estimates and Judgements in Applying Accounting Policies

Held-to-maturity Investments

The Corporation follows the guidance of IAS 39 in classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires judgement. In making this judgement, the Corporation evaluates its intention and ability to hold such investments to maturity. If the Corporation fails to keep these investments to maturity other than for specific circumstances – for example, selling other than an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value, not amortised cost. If the entire class of held-to-maturity investments is compromised, the carrying value would decrease by $40,334,000 (2007 – increase by $37,607,000) with a corresponding adjustment in the fair value reserve in shareholder's equity.

5. Financial Risk Management

The Corporation's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Corporation's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Corporation's financial performance. The Corporation's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Corporation's financial performance.

The Corporation's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems.

The Corporation's objective is to develop and manage a Deposit Insurance Fund by investing in securities of the Government of Jamaica or in such foreign securities as may from time to time be approved by the Board of Directors.

The Corporation achieves capital growth through investing in a selection of debt securities issued by the Government of Jamaica.

Subsection (2) of Section 4 of the Deposit Insurance Act stipulates that "the Corporation shall take all measures as may be necessary to ensure that there is the least possible exposure of the Corporation to loss." In this regard, the Corporation's policy is to manage the resources of the Deposit Insurance Fund in a professional manner, consistent with providing confidence in the Deposit Insurance Scheme. It will seek at all times to achieve its investment objectives with the least possible exposure to risk, without compromising standards of quality, security or control.

(a) Market risk

The Corporation takes on exposure to market risks, which is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates and interest rates. Market risk is monitored by the Treasury Management and Investment Committees, which carry out extensive research and monitor the price movement of financial assets on the local and international markets.

5. Financial Risk Management (Continued)

(a) Market risk (continued)

(i) *Currency risk*

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

The Corporation is exposed to foreign exchange risk arising from currency exposures with respect to the US dollar. Foreign exchange risk arises from foreign currency denominated investment securities and cash balances.

The Corporation manages its foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities, if any, is kept to an acceptable level by monitoring currency positions, while seeking to maximise foreign currency earnings.

The table below summarises the Corporation's exposure to foreign currency exchange rate risk at 31 March:

	JMD	USD	Total
	J$'000	J$'000	J$'000
		2008	
Financial assets			
Investment securities	3,792,208	226,936	4,019,144
Cash at bank	447	1,578	2,025
	3,792,655	228,514	4,021,169
		2007	
Financial assets			
Investment securities	3,122,329	126,474	3,248,803
Cash at bank	6,418	397	6,815
	3,128,747	126,871	3,255,618

5. Financial Risk Management (Continued)

(a) Market risk (continued)

(i) Currency risk (continued)

Foreign currency sensitivity

The change in currency below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at year end for a 5% change in foreign currency rates. This analysis includes investment securities and cash and bank balances.

	% change in currency rate 2008	Effect on Surplus from Operations 2008 $'000	Effect on Deposit Insurance Fund 2008 $'000	% change in currency rate 2007	Effect on Surplus from Operations 2007 $'000	Effect on Deposit Insurance Fund 2007 $'000
USD	5	11,335	-	5	6,320	-

5. Financial Risk Management (Continued)

(a) Market risk (continued)

(ii) Interest rate risk

All of the Corporation's financial assets are interest bearing. There are no financial liabilities.

The Corporation's interest-bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The table below summarises the Corporation's exposure to interest rate risks. It includes the Corporation's assets and liabilities at fair values, categorised by the earlier of contractual re-pricing or maturity dates.

	Within 3 Months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Non-interest bearing $'000	Total $'000
			2008			
Financial assets						
Investment securities	130,368	860,579	1,918,760	1,109,437	-	4,019,144
Cash at bank	2,025	-	-	-	-	2,025
Total interest sensitivity gap	132,393	860,579	1,918,760	1,109,437	-	4,021,169
			2007			
Financial assets						
Investment securities	198,340	393,888	1,525,103	1,131,472	-	3,248,803
Cash at bank	6,815	-	-	-	-	6,815
Total interest sensitivity gap	205,155	393,888	1,525,103	1,131,472	-	3,255,618

5. Financial Risk Management (Continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

Interest rate sensitivity

The following table indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on the Corporation's Surplus from Operations and Deposit Insurance Fund.

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

	Effect on Surplus from Operations 2008 $'000	Effect on Deposit Insurance Fund 2008 $'000	Effect on Surplus from Operations 2007 $'000	Effect on Deposit Insurance Fund 2007 $'000
Change in basis points:				
+100	18,886	25,112	18,998	23,458

In accordance with the Corporation's policy, the Investment Officer monitors the Corporation's overall interest sensitivity on a daily basis, and the Investment Committee, a sub-committee of the Board of Directors, reviews it on a quarterly basis.

(b) Credit risk

The Corporation takes on exposure to credit risk, which is the risk that counterparties will cause a financial loss for the Corporation by failing to discharge their contractual obligations. Credit risk is the most important risk for the Corporation's business. The corporation is primarily exposed to the credit risk associated with holding its entire investment portfolio in Government of Jamaica instruments.

Some secondary level of exposure to credit risk arise from the financial institutions with which the Corporation transacts business and , accordingly, the Corporation deals only with well recognised, high quality institutions in order to mitigate this risk.

The Corporation's maximum exposure to credit risk is represented by the amounts included for investment securities and cash at bank on the balance sheet.

5. Financial Risk Management (Continued)

(c) Liquidity risk

Liquidity risk is the risk that the Corporation is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to fulfil claims and other liabilities incurred.

Liquidity risk management process

The Corporation's liquidity management process, as carried out within the Corporation and monitored by the Finance and Corporate Services Department, includes:

1. Monitoring future cash flows and liquidity on a regular basis;
2. Maintaining a portfolio of highly marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption to cash flow; and
3. Optimising cash returns on investment.

Monitoring and reporting take the form of monthly cash flow measurement and projections.

Financial liabilities cash flows

The Fund has no significant levels of recorded financial liabilities. Assets available to meet all liabilities include cash and bank balances and investment securities. The Corporation is able to meet unexpected net cash outflows by selling securities and accessing additional funding sources from the Government of Jamaica and other financing institutions.

(d) Fair value estimation

The amounts included in the financial statements for cash and bank balances reflect their approximate fair values because of the short-term maturity of these instruments.

The estimated fair values for investment securities have been determined using available market information and appropriate valuation methodologies. However, considerable judgement is necessarily required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented below are not necessarily indicative of the ultimate net realisable values or amounts that the Corporation would realise in a current market exchange.

Fair values were estimated as follows:

	2008		2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	$'000	$'000	$'000	$'000
Investment securities	3,900,797	3,860,463	3,162,550	3,200,157

6. Expenses by Nature

Total administration expenses:

	2008 $'000	2007 $'000
Auditors' remuneration	700	630
Depreciation	3,963	4,974
Directors' emoluments -		
Fees	141	455
Management remuneration (Note 7)	8,857	8,462
Other	7,586	7,081
Printing and stationery	4,881	6,432
Professional fees	8,888	8,727
Public education	18,786	17,984
Repairs and maintenance	1,746	4,169
Staff costs (Note 7)	88,733	63,212
Utilities	4,694	4,351
	148,975	126,477

7. Staff Costs

	2008 $'000	2007 $'000
Wages and salaries	61,474	46,336
Statutory contributions	6,951	5,330
Others	20,308	11,546
	88,733	63,212
Management remuneration	8,857	8,462
	97,590	71,674

The number of persons employed by the Corporation at the end of the year was 26 (2007 - 20).

8. Investment Securities

(a) Held-to-maturity

	2008 $'000	2007 $'000
Government of Jamaica	3,277,740	2,716,918
Interest accrued	77,437	81,263
	3,355,177	2,798,181

(b) Available-for-sale

	2008 $'000	2007 $'000
Government of Jamaica	623,057	445,632
Interest accrued	40,910	4,990
	663,967	450,622
	4,019,144	3,248,803

	Remaining Term to Contractual Repricing or Maturity				
			2008		
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Carrying Value
	$'000	$'000	$'000	$'000	$'000
Held-to-maturity:					
Government of Jamaica -					
Local registered stocks	57,837	337,469	533,473	170,842	1,099,621
Debentures	70,000	173,936	987,126	912,503	2,143,565
US$ Indexed bonds	-	-	34,554	-	34,554
Interest accrued	3,019	74,418	-	-	77,437
	130,856	585,823	1,555,153	1,083,345	3,355,177
Available for sale:					
Government of Jamaica -					
Local registered stocks	-	-	96,734	-	96,734
Debentures	-	305,580	34,052	-	339,632
US$ Bonds	-	-	28,487	-	28,487
US$ Indexed bonds	-	10,744	147,460	-	158,204
Interest accrued	-	40,910	-	-	40,910
	-	357,234	306,733	-	663,967
	130,856	943,057	1,861,886	1,083,345	4,019,144

8. Investment Securities (Continued)

	Remaining Term to Contractual Repricing or Maturity				
	2007				
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Carrying Value
	$'000	$'000	$'000	$'000	$'000
Held-to-maturity:					
Government of Jamaica -					
Local registered stocks	57,176	251,955	608,009	180,712	1,097,852
Debentures	75,005	20,000	569,203	881,086	1,545,294
US$ Bonds	-	-	73,772	-	73,772
US$ Indexed bonds	-	-	-	-	-
Interest accrued	66,659	14,604	-	-	81,263
	198,840	286,559	1,250,984	1,061,798	2,798,181
Available for sale:					
Government of Jamaica -					
Local registered stocks	-	-	-	60,170	60,170
Debentures	-	101,839	223,890	9,504	335,233
US$ Bonds	-	-	46,792	-	46,792
US$ Indexed bonds	-	-	3,437	-	3,437
Interest accrued	-	4,990	-	-	4,990
	-	106,829	274,119	69,674	450,622
	198,840	393,388	1,525,103	1,131,472	3,248,803

Average effective yields by the earlier of the contractual repricing or maturity dates:

	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Average
	%	%	%	%	%
Instruments -					
Local registered stock	14.88	14.69	14.05	14.32	14.49
Debentures	15.84	14.25	13.73	14.33	14.54
US$ Bond	-	10.50	8.81	-	9.66
US$ Indexed bond	-	-	7.66	-	7.66

9. Receivables

	2008 $'000	2007 $'000
Withholding tax	158,026	93,178
Prepayments	251	241
Other	2,670	3,692
	160,947	97,111

10. Property, Plant and Equipment

	Land	Building & Freehold Improvement	Furniture & Fixtures	Motor Vehicles	Computers, Machines & Equipment	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost -						
At 31 March 2006	14,500	38,011	12,328	3,104	16,206	84,149
Additions	-	297	18	-	1,185	1,500
Disposals	-	-	(410)	(3,104)	(644)	(4,158)
At 31 March 2007	14,500	38,308	11,936	-	16,747	81,491
Additions	-	-	-	-	2,056	2,056
Disposals	-	-	-	-	-	-
At 31 March 2008	14,500	38,308	11,936	-	18,803	83,547
Depreciation -						
31 March 2006	-	178	5,073	517	8,139	13,907
Charge for the period	-	956	1,188	466	2,364	4,974
Relieved on disposals	-	-	(198)	(983)	(283)	(1,464)
31 March 2006	-	1,134	6,063	-	10,220	17,417
Charge for the period	-	958	1,179	-	1,826	3,963
Relieved on disposal	-	-	-	-	-	-
31 March 2007	-	2,092	7,242	-	12,046	21,380
Net Book Value -						
31 March 2008	14,500	36,216	4,694	-	6,757	62,167
31 March 2007	14,500	37,174	5,873	-	6,527	64,074

10. Property, Plant and Equipment (Continued)

The Corporation's land and buildings were revalued as at 31 March 2006 on the basis of open market value by Allison, Pitter & Company, independent qualified valuators. The revaluation surplus was credited to capital reserves in shareholders' equity.

If land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2008 $'000	2007 $'000
Cost	36,591	36,591
Accumulated depreciation	(4,603)	(3,688)
Net book value	31,988	32,903

11. Unearned Premium Income

This represents the portion of insurance premiums received from policyholders relating to the period subsequent to 31 March 2008.

12. Share Capital

Authorised capital of the Corporation of $1,000,000 is fully subscribed by the Government of Jamaica in accordance with Section 9 (1) of the Deposit Insurance Act, 1998.

13. Capital Reserves

Capital reserves comprise unrealised surplus arising from the revaluation of the Corporation's land and buildings.

14. Deposit Insurance Fund

	2008 $'000	2007 $'000
Balance at beginning of year	3,104,898	2,415,118
Surplus from insurance operations	484,120	437,732
Surplus from investment and administrative operations	331,776	252,048
Deposit Insurance Fund at year end	3,920,794	3,104,898

15. Related Party Transactions

Significant elements of the relationship between the Corporation and the Bank of Jamaica are as follows:

(a) Representation on the Board of Directors.

(b) Under Sections 7(1) and 7(2) of the Deposit Insurance Act, 1998, consultations are entered into between the Bank of Jamaica and the Corporation on certain matters relating to policyholders.

(c) Transactions and balances with the Bank of Jamaica for the period are as follows:

	2008 $'000	2007 $'000
Investment balance	1,326,985	937,460
Cash balance	1,804	6,614

(d) Transactions and balances with key management

	2008 $'000	2007 $'000
Wages and salaries	14,345	19,477
Statutory contributions	1,063	2,193
Other staff benefits	3,513	6,461
	18,921	28,131

Glossary

Banking Sector/ System	The deposit-taking financial institutions, comprising commercial banks, merchant banks and building societies.
Deposit	A sum of money paid on terms with a licensed deposit-taking institution, to be repaid with or without interest, either on demand or at a time or in circumstances agreed by or on behalf of the person making the payment and the person receiving it.
Deposit Insurance Fund (DIF)	A Fund established in advance under a deposit insurance scheme to payback depositors should their insured financial institution fail. The accumulation of the DIF is usually by premiums collected from policyholders, plus investment income on these monies.
Deposit Insurance Premium	Amount paid annually by member institutions (policyholders) as contributions to the Deposit Insurance Fund.
FIA Licensees	Financial institutions (Merchant Banks) licensed to take deposits under the Bank of Jamaica Act and Financial Institutions Act.
Fund Coverage Ratio	The level for the Deposit Insurance Fund expressed as a percentage of the total estimated insured deposits (DIF/Total Insured Deposits).
Fund Target	The desired Fund Coverage Ratio set by a deposit insurer.
Insurable Deposits	Total deposits held less inter-bank and government deposits.
Insured Deposits	That portion of insurable deposits that is covered by insurance under the Deposit Insurance Act, 1998
Insured Deposit Portfolio Transfer	The process whereby the insured deposits of a failed policyholder is transferred to a viable policyholder for the purpose of paying out depositors.
Insured Institution	A licensed deposit-taking institution which is a member of the deposit insurance scheme. Also referred to as policyholder or member institution.
Intervention Matrix	A framework for the coordination and enforcement of regulatory action within financial institutions. The Matrix (or Crisis Intervention Matrix) is an element of the Memorandum of Understanding between the Safety Net Partners: the MOFP, the BOJ, the FSC and the JDIC, executed in 2000.
Policyholders	Deposit taking financial institutions (banks and building societies) insured under the deposit insurance scheme.
Premium Assessment Rate	Rate applicable to policyholders (member institutions) for the purpose of determining premiums due to the deposit insurer. The assessment rate charged by JDIC is currently 0.15 percent of insurable deposits.
Safety Net Partners (SNPs)	Comprises a country's regulatory authorities and deposit insurer (in the case of Jamaica - the Ministry of Finance & the Public Service, the Bank of Jamaica, the Financial Services Commission and the Jamaica Deposit Insurance Corporation).

Abbreviations

BOJ	Bank of Jamaica
DIA	Deposit Insurance Act
DIS	Deposit Insurance Scheme
ERM	Enterprise Risk Management
FIA	Financial Institutions Act
FRC	Financial Regulatory Council
FSC	Financial Services Commission
GOJ	Government of Jamaica
IADI	International Association of Deposit Insurers
MOFPS	Ministry of Finance and the Public Service (formerly Ministry of Finance & Planning)
SNPs	Safety Net Partners