

CAYMAN ISLANDS



Supplement No. 1 published with Gazette No. 20
dated 7 October, 2013.

FINANCIAL STATEMENTS OF NATIONAL BUILDING SOCIETY OF CAYMAN MARCH 31, 2013

Financial Statements of

NATIONAL BUILDING SOCIETY OF CAYMAN

March 31, 2013

NATIONAL BUILDING SOCIETY OF CAYMAN

Table of Contents

	Page
Independent Auditors' Report to the Shareholders	1-2
Statement of Financial Position	3
Statement of Comprehensive Income	4
Statement of Changes in Shareholders' Equity	5
Statement of Cash Flows	6
Notes to Financial Statements	7-32
Schedule A – Section 21 Building Societies Law (2010 Revision) Disclosure	33

NATIONAL BUILDING SOCIETY OF CAYMAN

Statement of Financial Position

March 31, 2013

(stated in Cayman Islands dollars)

	Notes	2013	2012
Assets			
<i>Loans and receivables</i>			
Cash and cash equivalents	3	4,510,680	2,064,253
Loans, net	4,16	36,171,848	36,568,717
Interest receivable	4,16	169,651	219,924
Due from JNMS and its subsidiaries	16	0	1,047,949
Investments in debt securities	5,16	5,438,636	6,155,054
Investment in associate	6,16	1,391,132	1,573,759
Other receivables	7	321,007	341,337
<i>Other assets</i>			
Property, plant and equipment	8	2,913,988	2,985,013
Total assets	CI\$	50,916,942	50,956,006
Liabilities and shareholders' equity			
Liabilities			
<i>Financial liabilities measured at amortised cost</i>			
Savings and investment shares	9,16	46,285,794	45,413,051
Interest payable	10,16	441,330	457,467
Due to JNBS	16	9,938	74,199
Due to JNMS and its subsidiaries	16	100,965	0
Other payables		396,089	683,798
		47,234,116	46,628,515
Shareholders' equity			
Paid-up proprietary shares	11	1,579,950	1,579,950
Special proprietary shares Series A	11	300,000	300,000
Credit loss reserve	4,12	316,518	150,518
Retained earnings		1,486,358	2,297,023
		3,682,826	4,327,491
Total liabilities and shareholders' equity	CI\$	50,916,942	50,956,006

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors on August 29, 2013

ROBERT HAMATY

Director

CARLTON BARCLAY

Director

NATIONAL BUILDING SOCIETY OF CAYMAN

Statement of Comprehensive Income

Year ended March 31, 2013

(stated in Cayman Islands dollars)

	Notes	2013	2012
Interest income			
Loan interest	16	2,393,070	2,244,098
Interest from debt securities		225,870	27,340
Other interest income		7,536	35,795
		<u>2,626,476</u>	<u>2,307,233</u>
Interest expense			
Interest on investment shares	16	1,500,000	1,561,831
Interest on savings shares	16	36,402	42,472
Other interest and bank charges		3,404	16,669
		<u>1,539,806</u>	<u>1,620,972</u>
Net interest income before provisions and other items		<u>1,086,670</u>	<u>686,261</u>
Bad debt expense		(628,892)	(1,239,910)
Net income/(loss) after provisions and before other items		<u>457,778</u>	<u>(553,649)</u>
Other income	13,15,16	553,937	2,160,516
Operating expenses	14,15,16	(1,656,380)	(3,008,173)
		<u>(1,102,443)</u>	<u>(847,657)</u>
Net loss, being total comprehensive loss for year	CI\$	<u>(644,665)</u>	<u>(1,401,306)</u>

See accompanying notes to financial statements.

NATIONAL BUILDING SOCIETY OF CAYMAN

Statement of Changes in Shareholders' Equity

Year ended March 31, 2013

(stated in Cayman Islands dollars)

		Paid-up proprietary shares	Special proprietary shares Series A	Credit loss reserve	Retained earnings	Total shareholders' equity
Balances at March 31, 2011		1,579,950	300,000	176,037	3,672,810	5,728,797
Transfer from credit loss reserve		0	0	(25,519)	25,519	0
Total comprehensive loss for year		0	0	0	(1,401,306)	(1,401,306)
Balances at March 31, 2012	CI\$	1,579,950	300,000	150,518	2,297,023	4,327,491
Transfer to credit loss reserve		0	0	166,000	(166,000)	0
Total comprehensive loss for year		0	0	0	(644,665)	(644,665)
Balances at March 31, 2013	CI\$	1,579,950	300,000	316,518	1,486,358	3,682,826

See accompanying notes to financial statements.

NATIONAL BUILDING SOCIETY OF CAYMAN

Statement of Cash Flows

Year ended March 31, 2013

(stated in Cayman Islands dollars)

	2013	2012
Operating activities		
Net loss for year	(644,665)	(1,401,306)
Adjustments for:		
Depreciation	118,332	107,892
Bad debt expense	628,892	1,239,910
Income from investment in associate	(21,357)	(95,678)
Changes in operating assets and liabilities:		
Interest receivable	50,273	422,335
Due to/from JNBS	(64,261)	86,616
Due to/from JNMS and its subsidiaries	1,148,914	(1,550,988)
Other receivables	20,330	845,284
Interest payable	(16,137)	7,312
Other payables	(287,709)	(258,757)
Loans issued	(5,565,734)	(5,658,080)
Loans repaid	4,219,221	4,262,560
Net movement in savings and investment shares	872,743	3,781,086
Cash flows from operating activities	458,842	1,788,186
Investing activities		
Loans repurchased from JNBS	(565,385)	0
Purchases of property, plant and equipment	(47,307)	(87,283)
Investments in debt securities	716,418	(2,913,115)
Investment in associate	200,000	(1,474,097)
Cash flows from investing activities	303,726	(4,474,495)
Financing activities		
Loans sold to JNBS	1,683,859	2,151,787
Cash flows from financing activities	1,683,859	2,151,787
Net increase/(decrease) in cash and cash equivalents during year	2,446,427	(534,522)
Cash and cash equivalents at beginning of year	2,064,253	2,598,775
Cash and cash equivalents at end of year	CI\$ 4,510,680	2,064,253
Supplemental information on cash flows from operating activities:		
Interest received	2,676,749	2,729,568
Interest paid	CI\$ 1,555,943	1,613,660

See accompanying notes to financial statements.

NATIONAL BUILDING SOCIETY OF CAYMAN

Notes to Financial Statements

March 31, 2013

(stated in Cayman Islands dollars)

1. Incorporation and background information

National Building Society of Cayman (the “Society”) was incorporated under the Building Societies Law (Revised) of the Cayman Islands on October 5, 1992.

As at the year end the Society’s principal activities are granting home loans, operating savings share accounts and trading in foreign exchange in the Cayman Islands. Prior to October 6, 2011 the Society also carried on the business of providing money transfer services.

The majority shareholder of the Society is Jamaica National Building Society (“JNBS”). JNBS is committed to providing financing to support the Society’s operations.

The registered office of the Society is 29 Elgin Avenue, George Town, Grand Cayman, Cayman Islands.

2. Significant accounting policies

These financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) and interpretations adopted by the International Accounting Standards Board (“IASB”). The accounting policies have been applied consistently by the Society. The significant accounting policies adopted by the Society are as follows:

(a) Basis of preparation

The functional and presentation currency of the financial statements is the Cayman Islands dollar, the local currency of the Cayman Islands, reflecting the fact that the Society’s operations are primarily conducted using this currency.

Certain new, revised and amended standards and interpretations came into effect during the current financial year. They did not have any significant effect on the financial statements, and, based on the Society’s current operations, none of them are expected to have any impact on the amounts and disclosures in the financial statements.

The financial statements have been prepared on a going concern basis, with historical cost accounting being applied, except for loans, investments in debt securities and investments in associate, which are measured at amortised cost using the effective interest rate method, less impairment, if any.

The Society has received correspondence from the Cayman Islands Monetary Authority (“CIMA”) requesting that the Society fulfils stipulated requirements in a satisfactory manner, and within specified timeframes, to avoid further regulatory enforcement actions against the Society.

Management have responded to CIMA’s requests and have initiated various plans to meet CIMA’s requests. Management does not consider this to impact the Society’s ability to continue as a going concern. The Society as at March 31, 2013 is operating with liquidity and capital ratios at 18.74% and 13.67% respectively (2012: 14.08% and 13.65%), which is above CIMA’s minimum requirements of 5% and 12% (2012: 5% and 12%).

NATIONAL BUILDING SOCIETY OF CAYMAN

Notes to Financial Statements (continued)

March 31, 2013

(stated in Cayman Islands dollars)

2. Significant accounting policies (continued)

(b) Use of estimates and judgements

The preparation of these financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, income and expenses. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements are discussed below:

(i) Allowance for impairment losses

In determining amounts recorded for impairment losses on loans and receivables in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from receivables, for example, default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows of impaired loans and receivables as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are not observable on individual significant loans and receivables with similar characteristics, such as credit risks.

(ii) Residual value and expected useful life of property, plant & equipment

The residual value and the expected useful life of an asset are reviewed at each financial year-end, and, if expectations differ from previous estimates, the change is accounted for. The useful life of an asset is defined in terms of the asset's expected utility by the Society.

(c) Foreign currency translation

Transactions in foreign currencies are translated at the foreign exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to Cayman Islands dollars at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Cayman Islands dollars at the date that the values are determined.

NATIONAL BUILDING SOCIETY OF CAYMAN

Notes to Financial Statements (continued)

March 31, 2013

(stated in Cayman Islands dollars)

2. Significant accounting policies (continued)

(d) Financial instruments

(i) Classification

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset, exchange financial instruments under conditions that are potentially favourable or an equity instrument of another enterprise. Financial assets comprise cash and cash equivalents, loans, interest receivable, due from JNBS, due from JNMS and its subsidiaries, investments in debt securities, investment in associate and other receivables.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable. Financial liabilities comprise savings and investment shares, interest payable, due to JNBS, due to JNMS and its subsidiaries, and other payables.

(ii) Recognition

The Society recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

(iii) Measurement

Financial instruments are measured initially at cost which is the fair value of the consideration given or received. Subsequent to initial recognition all financial assets, except loans, investments in debt securities and investments in associate, are recorded at historical cost which is considered to approximate fair value due to the short-term or immediate nature of these instruments. Loans, investments in debt securities and investments in associate are carried at amortised cost using the effective interest rate method, less impairment, if any. *(iv) Specific instruments*

Cash and cash equivalents

Cash and cash equivalents are shown at cost. They comprise cash in hand and cash held in current accounts with maturities of less than 3 months. These are subject to an insignificant risk of changes in value, and are held for the purposes of meeting short-term commitments, rather than for investment purposes.

Loans, net

Mortgage loans are categorised as loans and receivables and are carried at amortised cost net of any provisions for impairment of such loans. When loans cannot be recovered, they are written off and charged against the bad debt expense; however this may not occur until all the necessary legal proceedings have been completed and the amount of the loss is finally determined. In certain cases, they are written off when the borrower has consistently defaulted on their monthly repayments, and management deem the amounts irrecoverable. In assessing each loan, securities held as collateral and other factors such as business and economic conditions are taken into account.

NATIONAL BUILDING SOCIETY OF CAYMAN

Notes to Financial Statements (continued)

March 31, 2013

(stated in Cayman Islands dollars)

2. Significant accounting policies (continued)

(d) Financial instruments (continued)(iv) *Specific instruments (continued)*

Loans, net (continued)

The Society has established a policy for the provision for loan losses, which represents potential losses from delinquent loans. Delinquent loans are categorised by periods of less than 3 months overdue, between 3 and 6 months overdue and over 6 months overdue, based on the loan repayments outstanding. A specific provision for loan losses is made on a loan by loan basis. For loans categorised between 3 and 6 months overdue, a specific provision is made for the greater of 1% of the total loan outstanding and 20% of the estimated net loss. For loans categorised as over 6 months overdue, a specific provision is made for the greater of 1% of the total loan outstanding and 100% of the estimated net loss. The estimated net loss per loan is the loan balance due less the estimated net realisable value of the collateral held.

A credit loss reserve for loan losses has been established against the loan portfolio where a prudent assessment by the Society of adverse economic trends and losses inherent in its portfolio suggest that losses may occur, but such losses cannot be determined on an item-by-item basis. This reserve is established at 1% (2012: 0.5%) of the aggregate residential and construction mortgage loans, respectively, not specifically provided for.

Investments in debt securities

The Society's investments in debt securities are categorised as loans and receivables and are carried in the statement of financial position at amortised cost using the effective interest method less any impairment losses as per IAS 39.

Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income on an accruals basis unless the collection of income is considered doubtful, in which case interest income are not accrued and are taken into account on a cash basis.

(e) *Derecognition*

A financial asset is derecognised when it is sold or transferred and the Society loses control over any rights that comprise that asset. A financial liability is derecognised when it is extinguished. The Society uses the specific identification method to determine gains or losses on derecognition for financial assets that are sold.

NATIONAL BUILDING SOCIETY OF CAYMAN

Notes to Financial Statements (continued)

March 31, 2013

(stated in Cayman Islands dollars)

2. Significant accounting policies (continued)

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and are depreciated on a straight-line basis at the following annual rates which are estimated to write-off the cost of these assets to their residual values over the period of their expected useful lives:

Buildings	2.5% per annum
Motor vehicle	20% per annum
Leasehold improvements	33% per annum
Computer software	33% per annum
Computer hardware	33% per annum
Furniture and fittings	10% per annum
Office equipment	10% per annum

(g) Impairment

Financial assets are reviewed at the statement of financial position date by the Society to determine whether there is objective evidence of impairment. If any such indication exists, the recoverable amount of the asset is estimated.

If the recoverable amount of an asset is less than its carrying amount, an impairment loss is recognised. Impairment losses are recognised in the statement of comprehensive income. If in a subsequent period the amount of impairment loss decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down or allowance is reversed through the statement of comprehensive income.

An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(h) Provisions and contingencies

(i) Provisions

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

NATIONAL BUILDING SOCIETY OF CAYMAN

Notes to Financial Statements (continued)

March 31, 2013

(stated in Cayman Islands dollars)

2. Significant accounting policies (continued)

(h) Provisions and contingencies (continued)

(ii) Contingencies

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

(i) Taxation

The Cayman Islands levies no taxes on income or gains.

(j) Investment in associate

Associates are those entities in which the Society has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Society holds between 20% and 50% of the voting power of another entity. JN Money Services (Cayman) Limited ("JNMS(C)"), as discussed in note 6, is the Society's only associate.

Investment in associate is accounted for using the equity method and is recognised initially at cost. The cost of the investment includes transaction costs.

The Society's financial statements include the Society's share of the profit or loss from the associate from the date the significant influence commenced within other income on the statement of comprehensive income.

(k) New accounting standards and interpretations not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended March 31, 2013, and have not been applied in preparing these financial statements. The standards/amendments that could significantly affect the Society include the following:

IAS 1 *Presentation of Financial Statements*, has been amended by the issue of a document entitled *Presentation of Items of Other Comprehensive Income*, effective for annual reporting periods beginning on or after July 1, 2012, to require a reporting entity to present separately the items of other comprehensive income (OCI) that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. Consequently, an entity that presents items of OCI before related tax effects will also have to allocate the aggregated tax amount between these sections. The existing option to present the profit or loss and other comprehensive income in two statements has not changed. The title of the statement has changed from 'Statement of Comprehensive Income' to 'Statement of Profit or Loss and Other Comprehensive Income'. However, an entity is still allowed to use other titles. The Society is assessing the impact this amendment may have on its 2014 financial statements.

NATIONAL BUILDING SOCIETY OF CAYMAN

Notes to Financial Statements (continued)

March 31, 2013

(stated in Cayman Islands dollars)

2. Significant accounting policies (continued)

(k) New accounting standards and interpretations not yet effective (continued)

Amendments to IAS 32, *Financial Instruments: Presentation*, which is effective for annual reporting periods beginning on or after January 1, 2014, clarifies those conditions needed to meet the criteria specified for offsetting financial assets and liabilities. It requires the entity to prove that there is a legally enforceable right to set off the recognised amounts. Conditions such as whether the set off is contingent on a future event and the nature and right of set-off and laws applicable to the relationships between the parties involved should be examined. Additionally, to meet the criteria, an entity should intend to either settle on a net basis or to realise the asset and settle the liability simultaneously.

The Society is assessing the impact that this standard may have in its 2015 financial statements.

Improvements to IFRS 2009-2011 cycle contains amendments to certain standards and interpretations and are effective for accounting periods beginning on or after January 1, 2013. The main amendments applicable to the Society are as follows:

- *IAS 1 Presentation of Financial Statements* is amended to clarify that only one comparative period, which is the preceding period, is required for a complete set of financial statements. IAS 1 requires the presentation of an opening statement of financial position when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification. IAS 1 has been amended to clarify that (a) the opening statement of financial position is required only if a change in accounting policy, a retrospective restatement or a reclassification has a material effect upon the information in that statement of financial position; (b) except for the disclosures required under IAS 8, notes related to the opening statement of financial position are no longer required; and (c) the appropriate date for the opening statement of financial position is the beginning of the preceding period, rather than the beginning of the earliest comparative period presented.
- *IAS 16 Property, Plant and Equipment*. The standard is amended to clarify that the definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether spare parts, stand-by equipment and servicing equipment should be accounted for under the standard. If these items do not meet the definition, then they are accounted for using *IAS 2 Inventories*.
- *IAS 32 Financial Instruments: Presentation*. The standard is amended to clarify that *IAS 12 Income Taxes* applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction.

The Society is assessing the impact that the amendments may have on its 2014 financial statements.

NATIONAL BUILDING SOCIETY OF CAYMAN

Notes to Financial Statements (continued)

March 31, 2013

(stated in Cayman Islands dollars)

2. Significant accounting policies (continued)

(k) *New accounting standards and interpretations not yet effective (continued)*

IFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities*. Issued in December 2011, this amended the required disclosures to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities. These amendments are effective for annual reporting periods beginning on or after January 1, 2013. Disclosures required by these amendments are to be provided retrospectively.

IFRS 9 *Financial Instruments* ("IFRS 9"). IFRS 9 replaces much of IAS 39 *Financial Instruments: Recognition and Measurement* regarding the accounting disclosure requirements for financial assets and is applicable for annual reporting periods beginning on or after January 1, 2015, with early adoption permitted.

The Society is assessing the impact that the standard may have on its 2016 financial statements.

IFRS 12 *Disclosure of Interest in Other Entities* ("IFRS 12"). IFRS 12 sets out new disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard is applicable for annual reporting periods beginning on or after January 1, 2013, with early adoption permitted.

IFRS 13 *Fair Value Measurement* ("IFRS 13"). IFRS 13 sets out the framework for measuring fair value and required disclosures about fair value measurements. The standard is applicable for annual reporting periods beginning on or after January 1, 2013, with early adoption permitted.

The Society is assessing the impact that the standard may have on its 2014 financial statements.

Where it is not mentioned otherwise, management has not yet determined the impact of adopting the above standards.

Other standards and amendments which are available for early adoption do not impact the Society and, therefore, have not been early adopted.

3. Cash and cash equivalents

	2013	2012
Cash at bank	4,390,348	1,967,455
Cash in hand	120,332	96,798
	CI\$ 4,510,680	2,064,253

NATIONAL BUILDING SOCIETY OF CAYMAN

Notes to Financial Statements (continued)

March 31, 2013

(stated in Cayman Islands dollars)

3. Cash and cash equivalents (continued)

Cash at bank include deposits with Cayman National Bank and Royal Bank of Canada, both of which are large financial institutions located in the Cayman Islands.

4. Loans and interest receivable

	2013	2012
Loans, gross	38,539,954	39,006,775
Provision for loan losses	(2,368,106)	(2,438,058)
Loans, net	CI\$ 36,171,848	36,568,717

Loans are repayable in monthly instalments of principal and interest, and are primarily secured by a first charge on real estate in the Cayman Islands. CI\$264,933 (2012: CI\$162,600) of loans outstanding at March 31, 2013 are secured by savings and investment shares.

Of the loans outstanding as at March 31, 2013, 16.89% (2012: 16%) are repayable in United States dollars with the remaining loans being repayable in Cayman Islands dollars. The Cayman Islands dollar is pegged to the United States dollar at CI\$1 = US\$1.2.

Consistent with most building societies with similar lending and deposit-taking activities, the management of mismatched maturity positions is ultimately based on management's reasonable expectations of future events. It is reasonably possible that the expectations associated with these amounts could change in the near term (i.e. within one year) and that the effect of such changes could be material to the financial statements. It is management's belief that the Society's cash and cash equivalents together with maturing loans will be sufficient to cover any net withdrawal from savings or investment shares over the next twelve months.

As at March 31, 2013, there were 261 loans (2012: 256 loans) outstanding and 3 (2012: 6) that were over one year in arrears.

As at March 31, 2013 the principal amount of the loans which were in arrears for over one year was CI\$1,159,232 (2012: CI\$1,640,566). Loans which were in arrears for more than 90 days but less than one year amounted to CI\$5,180,850 (2012: CI\$7,791,840).

The Society may instruct its lawyers to recover 10 open legal cases (2012: 2) in respect of such loans.

The Directors have determined that the provision for loan losses of CI\$2,368,106 (2012: CI\$2,438,058) is adequate as at March 31, 2013. The actual amounts ultimately collected are subject to the impact of future changes in business and economic conditions as well as other factors. The ultimate loan losses incurred by the Society may vary significantly from the estimated amounts included in the financial statements and the differences could be material. The estimates are continuously reviewed and, as adjustments to these provisions become necessary, they are reflected in current operations.

As at March 31, 2013, the Directors have also determined that interest receivable of CI\$761,700 (2012: CI\$473,457) has been placed on a non-accrual status.

NATIONAL BUILDING SOCIETY OF CAYMAN

Notes to Financial Statements (continued)

March 31, 2013

(stated in Cayman Islands dollars)

4. Loans and interest receivable (continued)

The Society manages certain loans on behalf of JNBS. These are loans that were originally granted by the Society but have since been sold to JNBS, and as such are no longer included within the loan portfolio of the Society. During the year ended March 31, 2013, the Society sold additional loans to JNBS at a net book value of CI\$1,683,859 (2012: CI\$2,151,787).

As at March 31, 2013, the total value of the loan portfolio owned by JNBS but managed by the Society was CI\$13,006,374 (2012: CI\$12,054,992). The Society is paid a management fee by JNBS for managing these loans. During the year ended March 31, 2013, the Society received a management fee of CI\$252,732 (2012: CI\$213,712), which is included within commissions and service charges in the statement of comprehensive income.

(a) Loans, net

Loans, less allowance for losses, are as follows:

	2013	2012
Mortgage loans	35,906,916	36,406,057
Share loans	264,932	162,660
	CI\$ 36,171,848	36,568,717

The Society's mortgage loan agreements include the right to call mortgages at any time with six months notice, except for new loans, which cannot be called until six months after the issue date.

(b) Loans, gross maturity profile

The maturity profile of the loans is as follows:

	2013	2012
Within 3 months	9,814	107,203
3 months to 1 year	61,021	359,953
1 year to 5 years	741,295	590,975
5 years and over	37,727,824	37,948,644
	CI\$ 38,539,954	39,006,775

NATIONAL BUILDING SOCIETY OF CAYMAN

Notes to Financial Statements (continued)

March 31, 2013

(stated in Cayman Islands dollars)

4. Loans and interest receivable (continued)

(c) Concentration

The Society's loan portfolio, less allowance for losses, is concentrated as follows:

	2013		2012	
	Number of loans	CI\$	Number of loans	CI\$
Professional and other services	7	1,844,512	5	1,257,316
Individuals	254	34,327,336	251	35,311,401
	261	36,171,848	256	36,568,717

(d) Impaired loans

The Society's loans portfolio, sorted by impairment, is as follows:

	2013	2012
Loans neither past due nor impaired	27,600,612	26,283,891
Past due but not impaired		
30 to 59 days	3,415,545	2,617,763
60 to 89 days	2,312,287	1,227,278
Individually impaired		
90 to 180 days	2,238,237	4,262,538
180 to 365 days	1,876,446	3,072,308
12 to 18 months	1,096,827	812,790
Over 18 months	0	730,207
Less provision for loan losses	(2,368,106)	(2,438,058)
Loans, net	CI\$ 36,171,848	36,568,717

Loans and advances on which interest is no longer accrued amounted to CI\$9,044,389 (2012: CI\$9,432,406) and represents 23.47% (2012: 24.2%) of the gross mortgage loans portfolio. These loans are included in the financial statements net of allowances for losses.

NATIONAL BUILDING SOCIETY OF CAYMAN

Notes to Financial Statements (continued)

March 31, 2013

(stated in Cayman Islands dollars)

4. Loans and interest receivable (continued)

The credit loss reserve for loan losses is made in accordance with the requirements of IFRS and JNBS Group policy, and is as follows:

	2013	2012
Provision for loan losses	2,368,106	2,438,058
Credit loss reserve	316,518	150,518
	CI\$ 2,684,624	2,588,576

The movements in the credit loss reserve are reflected in the statement of changes in shareholders equity.

5. Investments in debt securities

	2013	2012
Certificate of deposit	4,163,881	4,329,054
Debentures	1,106,225	1,660,000
Cayman Islands Development Bank bonds	166,000	166,000
Interest Receivable on Certificate of Deposit	1,638	0
Interest Receivable on USD\$ investments	892	0
	CI\$ 5,438,636	6,155,054

Certificate of deposit includes a Great Britain Pounds Sterling Certificate of Deposit with JNBS, the Society's majority shareholder and a large financial institution located in Jamaica. It carries interest at 2.4% per annum and will mature on June 24, 2013.

NATIONAL BUILDING SOCIETY OF CAYMAN

Notes to Financial Statements (continued)

March 31, 2013

(stated in Cayman Islands dollars)

5. Investments in debt securities (continued)

On March 7, 2011, the Society entered into a debenture agreement with JNMS. The principal sum of this debenture is US\$2,000,000 and it bears interest at a rate of 6% per annum payable quarterly in arrears. Under the terms of this debenture, the Society cannot demand for full payment of the debenture before March 7, 2021. On March 28, 2013 a partial payment on the loan of US\$960,000 was made, with US\$667,199 being applied to principal and US\$298,664 to interest.

As at March 31, 2013 and 2012, the Society held two US\$100,000 (CI\$83,000) Cayman Islands Development Bank variable rate development bonds with interest rate of US\$ 6-month LIBOR +2.75% and maturity date of June 30, 2015. The timely payment of principal and interest are guaranteed by the Cayman Islands Government.

6. Investments in associate

	2013	2012
Investment in JNMS(C)	CI\$ 1,391,132	1,573,759

On February 24, 2011, the Society acquired 16% of the share capital of JNMS(C), a company incorporated in the Cayman Islands to carry on the business of money transfer, for the carrying value of US\$4,800 (CI\$3,984), with JNMS owning the remaining 84% of the issued share capital of JNMS(C). On April 1, 2011 the Society acquired an additional 4% of the share capital of JNMS(C) for US\$1,792,821 (CI\$1,488,041), bringing its total stake to 20% (note 22). JNMS owns the remaining 80% of the issued share capital of JNMS(C). During the year the Society received CI\$200,000 from JNMS(C).

7. Other receivables

	2013	2012
Other receivables	219,612	220,173
Prepayments	101,395	96,382
Money transfer receivables	0	24,782
	CI\$ 321,007	341,337

NATIONAL BUILDING SOCIETY OF CAYMAN

Notes to Financial Statements (continued)

March 31, 2013

(stated in Cayman Islands dollars)

8. Property, plant and equipment

	Buildings	Motor vehicle	Leasehold improvements	Computer software	Computer hardware	Furniture and fittings	Office equipment	Total
Cost:								
March 31, 2011	2,972,844	38,400	165,603	58,747	135,736	223,242	62,984	3,657,556
Additions	43,274	0	0	0	3,375	34,732	5,902	87,283
Disposals	0	0	0	0	0	0	0	0
March 31, 2012	3,016,118	38,400	165,603	58,747	139,111	257,974	68,886	3,744,839
Additions	0	0	0	26,807	3,880	9,456	7,164	47,307
March 31, 2013	3,016,118	38,400	165,603	85,554	142,991	267,430	76,050	3,792,146
Depreciation:								
March 31, 2011	129,060	6,399	165,603	58,626	105,700	147,096	39,450	651,934
Charge for year	67,641	7,680	0	121	15,178	13,746	3,526	107,892
Eliminated on disposal	0	0	0	0	0	0	0	0
March 31, 2012	196,701	14,079	165,603	58,747	120,878	160,842	42,976	759,826
Charge for year	75,313	7,680	0	5,150	11,957	14,046	4,186	118,332
March 31, 2013	272,014	21,759	165,603	63,897	132,835	174,888	47,162	878,158
Net book values at								
March 31, 2013	CI\$ 2,744,104	16,641	0	21,657	10,156	92,542	28,888	2,913,988
Net book values at								
March 31, 2012	CI\$ 2,819,417	24,321	0	0	18,233	97,132	25,910	2,985,013

NATIONAL BUILDING SOCIETY OF CAYMAN

Notes to Financial Statements (continued)

March 31, 2013

(stated in Cayman Islands dollars)

9. Savings and investment shares

(a) Savings and investment shares maturity profile

Savings shares are repayable on demand and have no voting rights. Investment shares are repayable upon maturity and have no voting rights. The maturity distribution of the savings and investment shares is as follows:

	2013	2012
On demand	3,717,049	3,130,405
Within one year	42,548,592	42,282,646
Over one year	20,153	0
	CI\$ 46,285,794	45,413,051

As at March 31, 2013, savings shares of 2.57% (2012: 2.3%) and investment shares of 82.24% (2012: 76.2%) are denominated in United States dollars and 9.81% (2012: 9.5%) of investment shares are denominated in British pounds. The remaining savings and investment shares are denominated in Cayman Islands dollars.

(b) Concentration

The Society's savings portfolio is concentrated as follows:

	2013		2012	
	Number of accounts	CI\$	Number of accounts	CI\$
Public Authorities	1	556,055	1	498,847
Financial Institutions	8	5,731,393	8	5,999,051
Commercial and business	16	429,627	21	1,483,066
Individuals	2,499	39,568,719	2,761	37,432,087
	2,524	46,285,794	2,791	45,413,051

10. Interest payable

	2013	2012
Savings shares	227	3,802
Investment shares	441,103	453,665
	CI\$ 441,330	457,467

NATIONAL BUILDING SOCIETY OF CAYMAN

Notes to Financial Statements (continued)

March 31, 2013

(stated in Cayman Islands dollars)

11. Share capital

Paid-up proprietary shareholders are entitled to vote at any meeting of the Society, with each paid-up proprietary shareholder having one vote. Paid-up proprietary shares are issued in multiples of CI\$10 and CI\$1 each. Special proprietary shares Series A are entitled to vote at any meeting of the Society, with each share carrying five votes each and giving the holder the right to appoint at least 75% of the Directors of the Society. Special proprietary shares Series A are issued at CI\$10 each.

2013 and 2012	Paid-up proprietary shares		Special proprietary shares Series A	
	Number	CI\$	Number	CI\$
Issued and fully paid:				
Balances at beginning and end of year	1,522,950	1,579,950	30,000	300,000

12. Credit loss reserve

This is a non-distributable reserve representing a general provision for loan losses, as discussed in note 2.

	2013	2012
Balances at beginning of year	150,518	176,037
Transfer from/(to) retained earnings during year	166,000	(25,519)
Balances at end of year	CI\$ 316,518	150,518

13. Other income

	Note	2013	2012
Commissions and service charges		351,589	352,250
Late charges		110,008	121,938
Rental Income		86,400	123,708
Income from investments in JNMS(C)	6	21,357	95,678
Other income		20,082	0
Transfer fees	15	0	1,138,188
Foreign exchange (loss)/gain		(35,499)	328,754
	CI\$	553,937	2,160,516

NATIONAL BUILDING SOCIETY OF CAYMAN

Notes to Financial Statements (continued)

March 31, 2013

(stated in Cayman Islands dollars)

13. Other income (continued)

Effective October 1, 2011, JNMS(C) was granted a licence to carry on the business of money transmission under the Cayman Islands Money Services Law. Consequently, effective September 30, 2011 the Society ceased its money transfer operations, and the business was moved to JNMS(C).

14. Operating expenses

	Note	2013	2012
Staff cost excluding pension contributions		526,182	682,163
Professional fees		216,449	282,936
Depreciation	8	118,332	107,892
Business insurance		117,638	119,992
Advertising		111,088	91,370
Government licences		79,454	112,070
Staff insurance		75,872	52,522
Utilities		71,134	127,744
Other expenses		66,363	69,100
Computer maintenance and license fees		61,068	49,587
Audit fees		51,875	61,075
Travel and entertainment		33,712	43,091
Office cleaning		32,092	32,679
Pension contributions	18	24,634	28,125
Security		21,139	54,215
Repairs and maintenance		20,714	42,634
Printing and postage		16,747	30,581
Rent		6,084	70,173
Office supplies		4,055	18,921
Donations		1,748	29,197
Transfer fee expense	15	0	469,511
Commission paid – agents		0	432,595
	CI\$	1,656,380	3,008,173

NATIONAL BUILDING SOCIETY OF CAYMAN

Notes to Financial Statements (continued)

March 31, 2013

(stated in Cayman Islands dollars)

15. Discontinued operations

During the year ended March 31, 2012, management decided on a plan to discontinue the Society's money transfer business as part of a strategic program to realign its activities.

The following table shows the results of the discontinued operations of the Society as a result of the disposal of the money transfer operations:

	2013	2012
Other income	0	1,390,345
Operating expenses before transfer fee expense	0	(920,834)
Transfer fee expense	0	(469,511)
	CI\$	0

NATIONAL BUILDING SOCIETY OF CAYMAN

Notes to Financial Statements (continued)

March 31, 2013

(stated in Cayman Islands dollars)

16. Related parties

Included in these financial statements are the following balances and transactions with JNBS, its subsidiaries and the Directors of the Society:

JNBS		2013	2012
<i>Statement of financial position</i>			
Investments in debt securities	CI\$	4,165,519	4,329,054
Due to JNBS		(9,938)	(74,199)
Savings and investment shares		(21,984)	(21,938)
<i>Statement of comprehensive income</i>			
Interest expense		(55)	(102)
Other income		252,732	213,712
JNMS and its subsidiaries		2013	2012
<i>Statement of financial position</i>			
Due (to)/from JNMS and its subsidiaries	CI\$	(100,965)	1,047,979
Investments in debt securities		1,106,225	1,660,000
Investment in associate		1,391,132	1,573,759
<i>Statement of comprehensive income</i>			
Interest income		100,301	99,873
Income from investment in associate		21,357	95,678
Operating expenses		0	(940,030)
Directors		2013	2012
<i>Statement of financial position</i>			
Loans, net	CI\$	1,068,492	508,154
Interest receivable		5,762	1,840
Savings and investment shares		(6,547,507)	(6,943,835)
Interest payable		(52,489)	(41,070)
<i>Statement of comprehensive income</i>			
Interest income		65,082	31,731
Interest expense		(268,313)	(311,780)
Operating expenses		(216,449)	(132,800)

Due (to)/from JNBS and due from/(to) JNMS and its subsidiaries have no fixed terms of repayment and do not bear interest.

Loans, net, interest receivable and interest income relate to loans extended to a director and relatives of that director by the Society. As at March 31, 2013, these loans are accruing interest at rates from US Prime +2.0% to US Prime +4.0% (2012: US Prime +2.0% to US Prime +4.0%).

As at March 31, 2013, savings and investment shares accounts held by directors include savings shares accruing interest at rates from 0% to 0.25% (2012: 0% to 0.25%) and investment shares accruing interest at rates from 1.0% to 4.0% (2012: 1.50% to 5.0%).

Operating expenses include remuneration paid to a director of the Society.

NATIONAL BUILDING SOCIETY OF CAYMAN

Notes to Financial Statements (continued)

March 31, 2013

(stated in Cayman Islands dollars)

17. Commitments

In the ordinary course of business, there are various commitments outstanding, including commitments to extend draw-downs on loans already approved, which are not reflected in these financial statements. As at March 31, 2013, the Society had outstanding commitments for undrawn loans amounting to CI\$0 (2012: CI\$71,990).

18. Pension scheme

As required by the Cayman Islands Law, the Society participates in a defined contribution pension scheme, the Cayman National Pension Plan.

The Society is required to match each employee's contribution on a one to one basis up to 5% of the employee's annual salary. During the year ended March 31, 2013, the Society contributed CI\$24,634 (2012: CI\$28,125) to this scheme on behalf of its employees.

19. Regulatory matters

The Society is subject to regulatory capital requirements established by the Cayman Islands Monetary Authority ("CIMA"). Failure to meet minimum regulatory capital requirements can initiate certain actions by CIMA that if undertaken, could have a direct material effect on the Society's financial statements. Under capital adequacy guidelines used by CIMA, the Society must meet specific capital guidelines that involve quantitative measures of the Society's assets, liabilities, and certain off-statement of financial position items as calculated under regulatory accounting practices. The Society's regulatory capital amounts and classification are also subject to qualitative judgments by CIMA about components and risk weightings.

As at March 31, 2013 and 2012, the Society's regulatory capital amount and its risk asset ratio, as well as CIMA's minimum requirements, are presented in the following table:

			2013 minimum for regulatory capital and capital adequacy purposes		2012 minimum for regulatory capital and capital adequacy purposes
	Actual			Actual	
Regulatory capital	CI\$ 4,018,654		3,528,091	4,176,982	3,672,887
Risk asset ratio	13.67%		12%	13.65%	12%

The Society was in compliance with the regulatory capital requirements for the current and prior financial years. As outlines in note 2(a) however, the regulator has issued correspondence to the Society requesting that certain specific steps be taken with regards to its lending process and overall governance. Failure to meet these requirements by December 31, 2013 could result in enforcement action by the regulator.

NATIONAL BUILDING SOCIETY OF CAYMAN

Notes to Financial Statements (continued)

March 31, 2013

(stated in Cayman Islands dollars)

20. Financial risk management

The Society has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Society's exposure to each of the above risks and the Society's processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Society's risk management framework. The Board has agreed that the Society be subjected to reviews by the JNBS Group Risk Management Committee, which provides oversight responsibility for developing and monitoring the Society's risk management policies. The JNBS Group Risk Management Committee's reports are presented to the Board of Directors on a regular basis.

JNBS' risk management policies are established to identify and analyse the risks faced by the Society, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Society's activities. The Society, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The JNBS Audit Committee oversees how management monitors compliance with the Society's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Society. The JNBS Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the JNBS Audit Committee and the Board of Directors.

The Board of Directors' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Society defines as net operating income divided by total shareholders' equity. The Board of Directors also monitors the level of dividends paid to ordinary shareholders.

(a) Credit risk

Credit risk is the risk of counterparty default. Credit risk is generally higher when a non-exchange traded financial instrument is involved because the counterparty for non-exchange traded financial instruments is not backed by an exchange clearing house. The Society is exposed to credit risk on cash and cash equivalents, loans, interest receivable, due from JNMS and its subsidiaries, investments in debt securities, investments in associate and other receivables.

NATIONAL BUILDING SOCIETY OF CAYMAN

Notes to Financial Statements (continued)

March 31, 2013

(stated in Cayman Islands dollars)

20. Financial risk management (continued)

(a) Credit risk (continued)

The Society manages credit risk associated with loans by evaluating debtors' ability to repay loans, ensuring that:

- (i) all loans are properly collateralized and the securities are insured;
- (ii) loan loss provisioning is in keeping with the Society's policy for the provision of loan losses, as discussed in note 2;
- (iii) loans are not concentrated in one individual, company or group; and
- (iv) strong underwriting and credit administration services are in place.

The decision for each loan is evaluated by a Credit Committee, which must formally approve all loans above CI\$125,000 prior to funds being advanced.

At March 31, 2013 and 2012, had the provision for loan losses increased by 1%, with all other variables held constant, the Society's net loss for the year would have increased by the amounts shown below.

		2013	2012
Change in loss for year	CI\$	23,681	24,381

A 1% decrease in the provision would have resulted in an equal but opposite effect on the above financial statement amounts to the amounts previously stated, on the basis that all other variables remain constant.

A significant proportion of the cash and cash equivalents is represented by cash balances held in current accounts with Cayman National Bank and Royal Bank of Canada. Debt securities consist of a debenture held with JNMS and bonds issued by Cayman Islands Development Bank.

The Society limits its exposure to credit risk by only investing in rated instruments or instruments issued by rated counterparties with good credit ratings.

Management also monitors and reviews the credit rating of its counterparties. In instances where the credit rating has fallen under a certain level, management will dispose of the holding as soon as practical. As such, management does not expect any counterparty to fail to meet its obligations.

NATIONAL BUILDING SOCIETY OF CAYMAN

Notes to Financial Statements (continued)

March 31, 2013

(stated in Cayman Islands dollars)

20. Financial risk management (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Society does not have adequate funds to settle obligations. Management believes that the Society has sufficient resources to meet the present and foreseeable needs of its business operations. Management's guiding policies are to maintain conservative levels of liquidity to ensure that the Society has the ability to meet its obligations under all conceivable circumstances. The Society monitors the liquidity risk by matching assets and liabilities through a maturity analysis. The maturity analysis of financial assets and liabilities is as follows:

	Less than 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total
March 31, 2013						
Assets						
Cash and cash equivalents	4,510,680	0	0	0	0	4,510,680
Loans, gross	9,814	16,454	44,567	741,295	37,727,824	38,539,954
Interest receivable	169,651	0	0	0	0	169,651
Investments in debt securities	0	4,165,519	0	1,273,117	0	5,438,636
Investment in associate	0	0	0	0	1,391,132	1,391,132
Other receivables	321,007	0	0	0	0	321,007
	CI\$ 5,011,152	4,181,973	44,567	2,014,412	39,118,956	50,371,060
Liabilities						
Savings and investment shares	29,756,092	7,223,916	9,285,633	20,153	0	46,285,794
Interest payable	441,330	0	0	0	0	441,330
Due to JNBS	9,938	0	0	0	0	9,938
Due from JNMS and its subsidiaries	100,965	0	0	0	0	100,965
Other payables	396,089	0	0	0	0	396,089
	CI\$ 30,704,414	7,223,916	9,285,633	20,153	0	47,234,116

NATIONAL BUILDING SOCIETY OF CAYMAN

Notes to Financial Statements (continued)

March 31, 2013

(stated in Cayman Islands dollars)

20. Financial risk management (continued)

(b) Liquidity risk (continued)

March 31, 2012	Less than 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total
Assets						
Cash and cash equivalents	2,064,253	0	0	0	0	2,064,253
Loans, gross	107,203	329,724	30,229	590,975	37,948,644	39,006,775
Interest receivable	219,924	0	0	0	0	219,924
Due from JNMS and its subsidiaries	1,047,949	0	0	0	0	1,047,949
Investments in debt securities	4,329,054	0	0	1,826,000	0	6,155,054
Investment in associate	0	0	0	0	1,573,759	1,573,759
Other receivables	341,337	0	0	0	0	341,337
	CI\$ 8,109,720	329,724	30,229	2,416,975	39,522,403	50,409,051
Liabilities						
Savings and investment shares	24,919,760	10,958,316	9,534,975	0	0	45,413,051
Interest payable	457,467	0	0	0	0	457,467
Due to JNBS	74,199	0	0	0	0	74,199
Other payables	683,798	0	0	0	0	683,798
	CI\$ 26,135,224	10,958,316	9,534,975	0	0	46,628,515

Given the predominantly long term nature of the Society's assets, and the short term nature of its liabilities, JNBS is committed to providing financing to support the Society's operations if necessary. The maturity gap is normal within building societies.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Society's income or the value of its holdings of financial instruments.

(i) Currency risk

The Society invests in financial instruments and enters into transactions denominated in currencies other than its functional currency, the Cayman Islands dollar. Consequently, the Society is exposed to the risk that the exchange rate of the Cayman Islands dollar relative to other foreign currencies may change in a manner that has an adverse effect on the value of the portion of the Society's assets or liabilities that are denominated in currencies other than the Cayman Islands dollar. The Society's currency risk is managed by management in accordance with policies and procedures in place.

NATIONAL BUILDING SOCIETY OF CAYMAN

Notes to Financial Statements (continued)

March 31, 2013

(stated in Cayman Islands dollars)

20. Financial risk management (continued)

(c) Market risk (continued)

(i) Currency risk (continued)

The Cayman Islands dollar is pegged to the United States dollar at CI\$1 = US\$1.2 and any amounts in United States dollars are reflected in the financial statements at this rate and therefore are not exposed to currency risk.

The Society's total exposure to currency risk as at March 31, 2013 and 2012 is considered insignificant and thus, fluctuations in exchange rates would not have a significant impact on the Society's net loss for the year.

(ii) Interest rate risk

Interest rate risk is the risk of interest received not matching interest paid. The Society's exposure to changes in interest rates relates to the Society's financial assets and liabilities. As discussed in note 4, the Society is primarily exposed to interest rate risk through its principal activity of granting long term loans while obtaining financing through short term liabilities comprising savings and investment shares. Management continuously monitors the Society's exposure to interest rate risk.

The Society's net exposure to interest rate risk on its fixed rate financial assets and liabilities, including financial assets and liabilities that do not accrue interest, as at March 31, 2013 and 2012 is as follows:

Fixed rate	2013	2012
Cash and cash equivalents	4,510,680	2,064,253
Interest receivable	169,651	219,924
Due from/(to) JNMS and its subsidiaries	(100,965)	1,047,949
Investments in debt securities	5,272,636	5,989,054
Other receivables	321,007	341,337
Savings and investment shares	(42,568,745)	(42,282,646)
Interest payable	(441,330)	(457,467)
Due (to)/from JNBS	(9,938)	(74,199)
Other payables	(396,089)	(683,798)
	CI\$ (33,243,093)	(33,835,593)

NATIONAL BUILDING SOCIETY OF CAYMAN

Notes to Financial Statements (continued)

March 31, 2013

(stated in Cayman Islands dollars)

20. Financial risk management (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

As the Society holds a negative net exposure to fixed rate financial assets and liabilities, a decrease in the Cayman Islands dollar and United States dollar currencies' interest rates, with all other variables held constant, would result in an increase in the fair value of these financial assets and liabilities. Similarly, an increase in the interest rates would result in a decrease in the fair value of these financial assets and liabilities.

The Society's net exposure to interest rate risk on its variable rate financial assets and liabilities as at March 31, 2013 and 2012 were as follows:

Variable rate	2013	2012
Loans, net	36,171,848	36,568,717
Investments in debt securities	166,000	166,000
Savings and investment shares	(3,717,049)	(3,130,405)
	CI\$ 32,620,799	33,604,312

As the Society holds a positive net exposure to variable rate financial assets and liabilities, a decrease in the Cayman Islands dollar and United States dollar currencies' interest rates, with all other variables held constant, would result in a decrease in the net income from these financial assets and liabilities. Similarly, an increase in the interest rates would result in an increase in the net income from these financial assets and liabilities.

As at March 31, 2013, 61.17% (2012: 57.5%) of the Society's fixed rate savings and investment shares have maturities of less than 3 months. As such, if an unfavourable change in the Cayman Islands dollar and United States dollar currencies' interest rates occurs, the Society can reduce the negative impact on the fair value of these savings and investment shares, and reduce the negative impact on the Society's net income, by adjusting the interest rates of the savings and investment shares when rolled over at maturity.

21. Corresponding figures

Certain corresponding figures have been reclassified to conform with the financial statement presentation adopted in the current year.

22. Subsequent events

On June 26, 2013 the Society sold its investment in JNMS(C) to JNBS for US\$3,317,000. Refer to note 6 for details on the investment in associate. The Society had no other material subsequent events as up to the reporting date.

NATIONAL BUILDING SOCIETY OF CAYMAN

Schedule A – Section 21 Building Societies Law (2010 Revision) Disclosure

March 31, 2013

(stated in Cayman Islands dollars)

Section 22(a)

Mortgage balances under \$20,000:	NBSC 2013	NBSC 2013	NBSC 2012	NBSC 2012
Categories, gross	Number of accounts	Value (CI\$)	Number of accounts	Value (CI\$)
\$1 - \$2,000	4	3,791	4	5,367
\$2,001 - \$10,000	12	71,567	12	64,152
\$10,001 - \$15,000	9	109,335	6	72,371
\$15,001 - \$20,000	2	35,299	2	37,458
TOTAL	27	219,992	24	179,348

Section 22(b)

Loan values with balances of:	NBSC 2013	NBSC 2013	NBSC 2012	NBSC 2012
Categories, gross	Number of accounts	Value (CI\$)	Number of accounts	Value (CI\$)
Less than \$20,000	27	219,992	24	179,348
Greater than \$20,000	202	38,055,030	203	38,664,767
Term Share loans	32	264,932	29	162,660
TOTAL (Note 4)	261	38,539,954	256	39,006,775