

**INSURANCE EMPLOYEES CO-OPERATIVE
CREDIT UNION LIMITED
FINANCIAL STATEMENTS
DECEMBER 31, 2015**

TABLE OF CONTENTS
INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
DECEMBER 31, 2015

AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	3-6
STATEMENT OF FINANCIAL POSITION	3-4
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE	5
STATEMENT OF CHANGES IN EQUITY	6
STATEMENT OF CASH FLOWS	7
NOTES TO THE FINANCIAL STATEMENTS	8-
IDENTIFICATION & ACTIVITIES	8
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	8-14
FINANCIAL INVESTMENTS.....	15
MEMBERS LOANS.....	16-18
PROPERTY, PLANT & EQUIPMENT	19
LIQUID ASSETS	20
CASH & BANK BALANCES	20
ACCOUNTS RECEIVABLE.....	21
PERMANENT SHARES	21
INSTITUTIONAL CAPITAL	22
NON-INSTITUTIONAL LOANS.....	22
UNDISTRIBUTED DEFICIT	23
EXTERNAL CREDIT.....	23
MEMBERS DEPOSITS	24
PAYABLES AND ACCRUALS.....	24
OTHER FINANCING COST	25
MISCELLANEOUS INCOME.....	25
CONTINGENT LIABILITY.....	25
FINANCIAL RISK	26-35



AUDITORS' REPORT
TO THE REGISTRAR OF
THE CO-OPERATIVE SOCIETIES
OF
INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED

We have audited the financial statements for Insurance Employees Co-operative Credit Union Limited set out on the following pages 3-35 which comprise the statement of financial position as of December 31, 2015 and the statement of comprehensive income, statement of changes in stockholder's equity and statement of cash flow for the period 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 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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 misstatement.

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

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Credit Union as at December 31, 2015 and of the financial performance and cash flows of the Credit Union for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Co-operatives Societies Act.

Report on Other Legal Regulatory Requirements

As required by the Co-operative Societies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying financial statements are in agreement therewith and give the information required by the Act, in the manner so required.

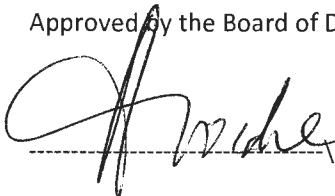


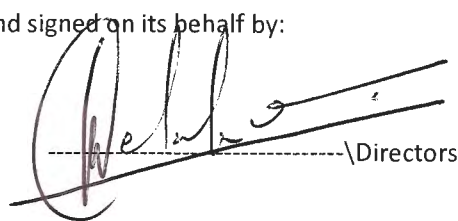
BOGLE & COMPANY
May 5, 2016

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2015

	<u>Notes</u>	<u>2015</u>	<u>2014</u>
		\$	\$
<u>Assets</u>			
Non-current assets			
Earning:			
Financial investments	3	69,933,149	69,437,808
Loans, after provision for loan impairment	4	823,205,569	875,909,592
		<u>893,138,718</u>	<u>945,347,400</u>
Non-earning:			
Property, plant & equipment	5	25,367,574	24,012,970
Total non-current assets		<u>918,506,293</u>	<u>969,360,370</u>
Current assets			
Earning:			
Financial investments	3	255,622,088	234,925,145
Loans, after provision for loan impairment	4	194,349,282	117,054,415
Liquid assets	6	131,459,094	124,732,536
Cash & bank balances	7	9,952,618	5,412,355
		<u>591,383,083</u>	<u>482,124,451</u>
Non-earning:			
Accounts Receivable	8	27,347,079	27,062,435
Cash & bank balances	7	64,568,361	29,330,274
		<u>91,915,440</u>	<u>56,392,710</u>
Total current assets		<u>683,298,523</u>	<u>538,517,160</u>
Total assets		<u><u>1,601,804,816</u></u>	<u><u>1,507,877,530</u></u>

Approved by the Board of Directors on ^{May 5, 2016} and signed on its behalf by:


 ----- Directors


 ----- Directors

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2015

PAGE 4

	<u>Notes</u>	<u>2015</u>	<u>2014</u>
		\$	\$
<u>Equity & Liabilities</u>			
Equity			
Permanent shares	9	24,881,127	18,819,420
Institutional capital	10	260,161,055	256,601,754
Non-institutional capital	11	118,495,526	94,949,000
Undistributed surplus	12	(11,962,743)	(672,291)
Total Equity		<u>391,574,966</u>	<u>369,697,884</u>
Non-current liabilities:			
Interest bearing:			
Members' shares (voluntary)		594,421,056	587,154,952
External Credit	13	<u>73,000,000</u>	<u>73,000,000</u>
Total non-current liabilities		<u>667,421,056</u>	<u>660,154,952</u>
Current liabilities			
Interest bearing:			
Savings deposits	14	<u>523,886,003</u>	<u>456,314,985</u>
		523,886,003	456,314,985
Non- interest bearing:			
Payables & accruals	15	<u>18,922,790</u>	<u>21,709,709</u>
Total current liabilities		<u>542,808,793</u>	<u>478,024,694</u>
Total Liabilities		<u>1,210,229,849</u>	<u>1,138,179,646</u>
Total Equity & Liabilities		<u>1,601,804,816</u>	<u>1,507,877,530</u>

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

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
AS AT DECEMBER 31, 2015

PAGE 5

	Notes	<u>2015</u> \$	<u>2014</u> \$
<u>Interest income</u>			
Interest on loans		118,525,017	123,605,275
Interest on investments		<u>26,009,540</u>	<u>28,627,100</u>
		<u>144,534,557</u>	<u>152,232,375</u>
<u>Interest expense</u>			
Interest on Deposits		26,719,582	25,956,919
Interest on Shares		<u>8,625,709</u>	<u>8,816,330</u>
		<u>35,345,292</u>	<u>34,773,249</u>
Net interest income		109,189,265	117,459,126
Other financial costs	16	(6,265,704)	(8,498,661)
Loan loss provision	4 (ii)	8,995,600	4,252,363
		<u>111,919,162</u>	<u>113,212,827</u>
Net interest income after loan loss and financial cost			
Miscellaneous	17	8,801,974	6,598,832
Loss on Global Fund		(532,695)	(709,182)
Dividend on shares			365,360
Investment Property Income		<u>2,383,997</u>	<u>2,359,977</u>
		<u>10,653,274</u>	<u>8,614,986</u>
Gross margin		122,572,436	121,827,814
Less operating expenses		<u>106,127,137</u>	<u>111,870,282</u>
Net profit		16,445,299	9,957,532
<u>Other comprehensive Loss</u>			
Fair Value Adjustment on Foreign currency		<u>1,344,405</u>	<u>892,633</u>
Total comprehensive income		<u><u>17,789,705</u></u>	<u><u>10,850,165</u></u>

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
STATEMENT OF CHANGES IN EQUITY
AS AT DECEMBER 31, 2015

	Permanent Shares	Institutional Capital	Liquidity Reserve	Non Institutional Capital	Undistributed Surplus/Deficit	Totals
	\$	\$	\$	\$	\$	\$
January 1, 2014	14,235,415	133,320,040	-	205,472,560	20,086,695	373,114,710
Prior year adjustment				283,278	(283,278)	-
Total comprehensive income		-	-	-	10,850,165	10,850,165
Entrance fee		1,310				1,310
Statutory transfer		2,170,033			(2,170,033)	-
Loan Loss Reserve				15,292,158	(15,292,158)	-
Appropriations:						-
Institutional capital				(181,277)	(11,989,209)	(12,170,486)
Honorarium					(1,274,200)	(1,274,200)
Receipts /transfer	3,983,732	121,110,371		(125,917,716)		(823,612)
Dividends	600,273				(600,273)	-
December 31, 2014	18,819,420	256,601,754	-	94,949,003	(672,291)	369,697,888
January 1, 2015	18,819,420	256,601,754	-	94,949,003	(672,291)	369,697,888
Total comprehensive income		-	-	-	17,789,705	17,789,705
Entrance fee		1,360				1,360
Statutory transfer		3,557,941			(3,557,941)	-
Loan Loss Reserve				16,842,084	(16,842,084)	-
Appropriations:						-
Institutional capital				6,095,932	(6,095,932)	-
Honorarium					(1,274,200)	(1,274,200)
Receipts /transfer	4,751,708			608,507		5,360,215
Dividends	1,310,000				(1,310,000)	-
Balance as at December 31, 2015	24,881,127	260,161,055	-	118,495,526	(11,962,743)	391,574,966

STATEMENT OF CASH FLOWS
AS AT DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
	\$	\$
<u>Cash flows from operating activities</u>		
Net Income	17,789,705	10,850,165
Adjustment to reconcile profit for the year to		
Net cash provided by operating activities		
Add depreciation	2,152,771	2,808,800
	<u>19,942,475</u>	<u>13,658,964</u>
Other assets	658,863	16,210,283
Interest Income	(144,534,557)	(152,232,375)
Interest received	143,591,050	147,648,373
Payables & accruals	(2,786,919)	34,155
Net cash flows from operating activities	<u>16,870,912</u>	<u>25,319,400</u>
<u>Cash flows from investing activities</u>		
Purchase of fixed assets	(3,507,375)	(5,652,035)
Financial investments	(21,192,284)	(42,570,187)
Loans to members	(24,590,844)	(8,804,805)
Net cash used in investing activities	<u>(49,290,503)</u>	<u>(57,027,027)</u>
<u>Cash flows from financing activities</u>		
Appropriations & payments	(1,974,330)	(14,266,988)
Permanent shares	6,061,708	4,584,005
Members' shares deposits	74,837,122	26,689,868
Net cash flows from financing activities	<u>78,924,499</u>	<u>17,006,885</u>
Net cash and cash equivalents for the year	46,504,909	(14,700,742)
Cash and cash equivalents at beginning of year	<u>159,475,165</u>	<u>174,175,907</u>
Cash and cash equivalents at end of year	<u><u>205,980,074</u></u>	<u><u>159,475,165</u></u>
<u>Represented by:</u>		
Cash & bank balances	74,520,980	34,742,629
Liquid assets	131,459,094	124,732,536
	<u><u>205,980,074</u></u>	<u><u>159,475,165</u></u>

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2015

PAGE 8

1. Identification & Activities

The Insurance Employees Co-operative Credit Union Limited is a Co-operative Society registered under the Co-operative Societies Act. Membership is restricted to present and past employees of Life, Health and General Insurance and their related companies, Building Societies along with their extended families. The Credit Union's operations are concentrated in the parishes of St. Andrew and St. James. The registered office and principal place of business is located at 27 Parkington Plaza, Kingston 10.

The objectives of the credit union are to promote thrift among its members and to create hereby a source of credit for its members at competitive rates of interest for provident and productive purposes;

To receive the savings of its members

To make loans to members for provident and productive purposes in the way and manner hereinafter provided;

To invest in any security in which trustees are for the time being by Law authorized to invest;

To borrow money as provided by the rules of the Credit Union subject to the provisions of the Law and Regulations;

To draw, make, accept, endorse, discount, execute and issue Promissory Notes, Bills of lading, Bills of Exchange, Bills of Sale, Warrants and other negotiable or transferrable instruments.

2. Summary of significant accounting policies

a. Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB)

The significant accounting policies that have been used in preparation of the financial statements are summarised below and have been consistently applied for all the years presented. The Measurement bases used are those specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2015

PAGE 9

2. Summary of significant accounting policies (cont'd)

New and revised IFRSs in issue but not yet effective

The Credit Union has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IAS 1	Disclosure Initiative ²
IFRS 9	Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition ¹
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ²
Amendments to IAS 19	Amendments resulting from September 2014 Annual Improvements to IFRSs ²

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2016.

b. Reporting currency

The amounts stated in these financial statements are presented in Jamaican Dollars which is the functional currency of the Credit Union.

c. Basis of Preparation

The financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

2. Summary of significant accounting policies (cont'd)

c. Basis of Preparation (cont'd)

In addition, for financial reporting purposes, fair value measurement is categorised into level 1,2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the company can access at the measurement date.

Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability

The principal accounting policies are set out below:

d. Financial Instruments: Recognition and Measurement

Financial assets and financial liabilities are recognized when an entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets are classified into the following specified categories: financial assets 'investments available-for-sale' (AFS) and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

2. Summary of significant accounting policies (cont'd)

d. Financial Instruments: Recognition and Measurement (cont'd)

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Available-for-sale assets (AFS financial assets)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Listed redeemable notes held by the credit union that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period.

The credit union has investments in unquoted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value at the end of each reporting period (because the directors consider that fair value can be reliably measured).

Dividends

Dividends on AFS equity instruments are recognized in profit or loss when the Credit Union's right to receive the dividends is established.

Loan Loss Provision

The Credit Union has accounted for its loan loss provision in accordance with IAS 39 which states that an entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets measured at amortised cost is impaired. If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

d. Financial Instruments: Recognition and Measurement (cont'd)

Loan Loss Provision (cont'd)

The Credit Union has assessed the carrying value of each loan and determined the present value of future cash flows. This has been provided for in the loan loss provision account (see note 6) and the movement has been recognised in the profit and loss account (see note 19)

e. IAS 16 Properties, Plant and Equipment:

Land and Building comprises the building located at 27 Parkington plaza, Kingston 10, which is also the Credit Union's main office. All property, plants and equipment are reported at their initial cost less accumulated depreciation and accumulated impairment.

Depreciation is recognized so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight line method and next month convention. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The annual depreciation rates for the company are as follows:

Building	2.5%
Furniture and Fixtures	10%
Office Equipment	20%
Computer	20%

The useful lives of the property, plant and equipment are reviewed and adjusted if necessary. *Land is not depreciated*

Repairs and maintenance expenditures are charged to the profit or loss as general overhead during the period in which they are incurred.

2. Summary of significant accounting policies (cont'd)

f. IAS 21 The effects of changes in foreign currency rates:

The Credit Union is subject to changes in foreign currency rates as it relates to the accounts held in United States dollar. It is recorded initially in the functional currency using the spot exchange rate of the Jamaican dollar to the United States dollar at the date of transaction. At the end of the period the foreign currency is converted to the functional currency using the closing rate for the period. Exchange differences arising from conversion of the rates used for initial recording and at the end of the period are recognised in the profit and loss statement.

g. Liquid Assets

A liquid asset an asset that can readily be converted into cash is similar to cash itself because the asset can be sold with little impact on its value. Investments are considered liquid assets because they can be readily liquidated. Generally, investments are considered liquid assets because they can be easily sold, depending on the investment. The Credit Union's fixed assets comprises interest bearing assets from the Jamaica Co-op Credit Union League (JCCUL).

h. Cash and Bank Balances

Cash and Bank balances included notes and coins on hand, unrestricted funds held at other financial institutions representing non-interest bearing liquid assets owned by the Credit Union. Interest bearing liquid assets such as interest bearing savings accounts and short term investments which are expected to be converted within a ninety day cycle (90) are classified under "Liquid Assets."

i. Revenue Recognition

Interest on investment

Dividend/Interest income from investments is recognized when the investor's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Credit Union and the amount of income can be measured reliably).

Interest on loans

Interest on loans is recognized when interest is calculated on the outstanding balance at the end of each month, using the reducing balance method.

2. Summary of significant accounting policies (cont'd)

i. Revenue Recognition (cont'd)

Rental Income

Rental Income is recognised based on the accrual basis on rental agreement for the portion of building located at 27 Parkington plaza, Kingston 10.

Commission and Fees

Fees and commission income are generally recognised on a cash basis when the service has been provided.

j. Institutional Capital

Institutional Capital includes the Statutory Reserve Fund as well as various other reserves established from time to time as is deemed necessary by the Board of Directors to support the operation of the Credit Union and thereby protect the interest of the members. These reserves are not available for distribution.

The stronger the overall capital position, the easier it is for the credit union to deal with future uncertainties such as asset loss and adverse economic cycles.

k. IFRIC 2 — Members' Shares in Co-operative Entities and Similar Instruments

Members' shares in co-operative entities have some characteristics of equity. They also give the holder the right to request redemption for cash, although that right may be subject to certain limitations. IFRIC 2 gives guidance on how those redemption terms should be evaluated in determining whether the shares should be classified as financial liabilities or as equity.

Members' shares- (voluntary)

The voluntary shares are the main account for the credit union members. It forms the corner stone of the members' relationship with the credit union.

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2015

3. Financial investments

The investments of the Credit Union has varying maturity dates and have been categorized in the following schedule:

	Within 3 Months \$	Over 5 Years \$	Carrying Value 2015 \$	Carrying Value 2014 \$
<u>Investments available-for-sale</u>				
Proven Wealth Limited	59,464,466		59,464,466	38,016,594
JMMB	50,560,177		50,560,177	55,275,196
First Caribbean Securities	18,479,000		18,479,000	37,057,001
Victoria Mutual Building Society-Cumbo Investment	7,744,033		7,744,033	7,145,125
Scotia Investments	6,547,411		6,547,411	5,750,142
NCB Capital Markets	74,786,487		74,786,487	45,859,154
Sagicor Investments	38,040,515		38,040,515	45,821,934
GOJ Global Fund		6,457,523	6,457,523	6,156,227
Government of Jamaica Securities		56,035,000	56,035,000	56,035,000
<u>Unquoted investments available- for -sale</u>				
Jamaica Co-operative Credit Union				
Voluntary Shares		1,217,700	1,217,700	1,217,700
Permanent Shares		4,349,648	4,349,648	4,155,603
Quality Network Co-operative Credit Union Limited				
		1,873,279	1,873,279	1,873,279
	255,622,088	69,933,149	325,555,238	304,362,954

The Credit Union currently holds investments which make up both level 2 and level 3 investments. These investments includes short term deposits in the form of repurchase agreements, and long term investments which have been classified as securities available for sale and are reported at their fair values as at December 31, 2015. The Credit Union also has unlisted investments in the Jamaica Co-op Credit Union and Quality Network which have also been classified as available for sale investments but have been categorized as a level 3 asset due to the nature of the investments.

In keeping with Credit Union policy all investment institutions have been approved by the board of directors. The Credit Union has no investment which matures between 1 to 5 years.

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2015

4. Members Loans

Loans originated by the credit union

	Maturity schedule				Carrying Value 2015	Carrying Value 2014
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years		
	Current		Non-current			
Loans to individuals	84,665,088	109,684,194	429,744,477	415,752,512	1,039,846,271	1,024,251,026
Less provision for loan loss	-	-	-	-	22,291,420	31,287,019
	<u>84,665,088</u>	<u>109,684,194</u>	<u>429,744,477</u>	<u>415,752,512</u>	<u>1,017,554,851</u>	<u>992,964,007</u>

The total number of loans for 2015 was 2,801 (2014: 3,076), of which there are a total of 238 non-performing loans. The credit union defines a non-performing loan as one in which interest can no longer be accrued. This is for loans which are in arrears for over 90 days

The Credit Union provides for its loan loss using the loan loss provision as prescribed by IFRS 39. Each outstanding loan has been analysed by the methods prescribed by the standard and the adjustment reclassified to the loan loss reserve under non-institutional capital.

i. Movement for loan loss provision

	<u>2015</u>	<u>2014</u>
Allowance for loan loss at the beginning of year	31,287,019	39,171,997
Additional provision	(6,785,549)	(465,465)
Amount recovered during the year	(2,210,050)	(7,419,515)
Net provision at end of year	<u>22,291,420</u>	<u>31,287,019</u>

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2015

4. Members Loans (cont'd)

i. Movement for loan loss provision (cont'd)

	Total Loan Loss Provision	Net Movement on loan impairment
As prescribed by JCCUL	54,425,662	7,846,485
As prescribed by IFRS	22,291,420	(8,995,598)
Transferred to Loan Loss Reserve	32,134,242	16,842,083

ii. Net movement on impairment provision

	<u>2015</u> \$	<u>2014</u> \$
Provision reversed during the year	(6,785,550)	(465,465)
Bad Debt Recovered	(2,210,050)	(3,786,898)
Charged to income and expenditure	<u>(8,995,600)</u>	<u>(4,252,363)</u>

iii. Collateral

The Credit Union holds collateral against loans to members in the form of mortgage interests over property, lien over motor vehicles, other registered securities over assets, hypothecation of shares held in the Credit Union and guarantees. Estimates of fair values are based on value of collateral assessed at the time of borrowing and are generally not updated except when a loan is individually assessed as impaired.

The Credit Union had 2 repossessed collateral at the reporting date with a market value of \$4,300,000 (2014: \$11,584,000).

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2015

iv. Aging

	<u>2015</u>	<u>2014</u>
Neither past due nor impaired	950,762,798	951,169,803
Past due but not impaired	43,749,909	14,301,781
Impaired		
Less than 2 months	874,462	-
2-3 Months	1,731,468	-
4-6 Months	2,200,913	10,371,017
6-12 Months	18,045,789	15,926,829
Over 12	22,480,932	32,481,596
Total Loans	<u>1,039,846,271</u>	<u>1,024,251,026</u>
Less: Allowance for impaired loans	(22,291,420)	(31,287,019)
Loans after allowance for impairment losses	<u>1,017,554,851</u>	<u>992,964,007</u>

v. Loans to members

	<u>2015</u>	<u>2014</u>
Summary	\$	\$
Balance at start of year	1,024,251,026	1,023,331,199
Loans granted	<u>519,312,492</u>	<u>476,431,272</u>
	1,543,563,518	1,499,762,471
Less repayments	<u>503,717,247</u>	<u>475,511,445</u>
Balance at end of year	<u><u>1,039,846,271</u></u>	<u><u>1,024,251,026</u></u>

NOTES TO FINANCIAL STATEMENTS**AS AT DECEMBER 31, 2015****5. Property, Plant and Equipment**

	Land and Building \$	Furniture and Fixtures \$	Office Equipment \$	Computer \$	Total \$
<u>Cost</u>					
December 31, 2013	12,970,296	3,770,110	10,304,693	10,319,656	37,364,755
Additions during 2014		-	222,462	5,429,573	5,652,036
Balance December 31, 2014	12,970,296	3,770,110	10,527,155	15,749,229	43,016,790
January 1, 2015	12,970,296	3,770,110	10,527,155	15,749,229	43,016,790
Additions during 2015		90,528	921,105	2,495,743	3,507,375
Balance December 31, 2015	12,970,296	3,860,638	11,448,260	18,244,971	46,524,165
<u>Accumulated depreciation</u>					
December 31, 2013	2,464,594	2,118,421	5,498,053	6,113,952	16,195,020
Charge for the year 2014	262,643	163,860	1,265,403	1,116,895	2,808,801
Balance December 31, 2014	2,727,237	2,282,281	6,763,456	7,230,847	19,003,821
January 1, 2015	2,727,237	2,282,281	6,763,456	7,230,847	19,003,821
Charge for the year 2015	262,643	152,055	818,431	919,642	2,152,771
Balance December 31, 2015	2,989,879	2,434,336	7,581,887	8,150,489	21,156,591
<u>Net book value</u>					
Balance December 31, 2015	9,980,417	1,426,302	3,866,373	10,094,482	25,367,574
Balance December 31, 2014	10,243,059	1,487,829	3,763,699	8,518,382	24,012,970

Land and Building comprises land in the amount of \$2,464,594, which is not depreciated.

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2015

6. Liquid Assets

The liquid assets represent the fair value of the investments as at December 31, 2015 and are expected to mature within 3 months or less. The gain/loss on investments has been carried through the statement of comprehensive income and investment income. These investments are classified as Level 2 investments which are investments other than quoted prices investment in active markets.

	<u>Fair Values</u> 2015 \$	<u>Fair Values</u> 2014 \$
Jamaica Cooperative Credit Union League Limited - Certificate of Deposits	101,846,607	96,417,977
Jamaica Cooperative Credit Union League Limited - Cu-Cash Deposit	28,659,238	27,391,552
Jamaica Cooperative Credit Union League Limited - Settlement deposit	953,249	923,006
	<u>131,459,094</u>	<u>124,732,536</u>

7. Cash and Bank Balances

	<u>2015</u> \$	<u>2014</u> \$
Earning Assets		
Foreign exchange account – National Commercial Bank Ltd	47,882	45,991
Foreign exchange account – Bank of Nova Scotia Jamaica Limited	9,889,931	5,366,364
	<u>9,937,813</u>	<u>5,412,355</u>
Non-Earning		
Petty cash	555	1,208
Cash in hand	14,926	502,700
Current Account - First Caribbean International Bank	3,458,822	931,409
Current Account - Bank of Nova Scotia Jamaica Limited	28,130,440	10,314,438
Current Account - National Commercial Bank Ltd	10,309,127	5,983,629
Current Account - Pan Caribbean Merchant Bank	1,271,353	1,241,627
Current Account – Jamaica National Building Society	17,736,957	6,422,401
Current Account – Victoria Mutual Building Society	978,425	1,519,896
Current Account – Sagicor Jamaica Limited	2,667,757	2,412,967
	<u>64,568,361</u>	<u>29,330,274</u>

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2015

8. Accounts Receivable

The accounts receivable accounts represent amounts owed to the company as of December 31, 2015. There has been no provision for loss against these accounts.

	<u>2015</u>	<u>2014</u>
	\$	\$
Investment Interest receivable	4,539,205	3,761,769
Due from Members	5,796,449	5,246,192
Rental Receivable	300,627	327,311
Prepayment	3,338,264	3,172,632
Security Deposit	34,188	34,188
Withholding Tax	4,567,960	6,826,124
Other receivables	8,770,386	7,694,220
	<u>27,347,079</u>	<u>27,062,435</u>

- i. Withholding tax represents accumulated withholding tax on investments. Effective September 1, 2010, the Credit Union was granted a 10 year exemption on withholding tax. The Credit Union has been reducing this balance by offsetting it against the withholding tax payable on interest paid to members on shares and deposits.

9. Permanent Shares

This represents equity in the Credit Union which cannot be withdrawn but may be transferred to another member or repurchased by the Credit Union through its permanent shares reserve Fund.

	<u>2015</u>	<u>2014</u>
	\$	\$
Permanent Shares	24,881,127	18,819,420
	<u>24,881,127</u>	<u>18,819,420</u>

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2015

10. Institutional capital

a. Statutory Reserve

Pursuant to the Co-operative Societies Act Credit Unions are required to transfer to a Statutory Reserve all entrance fees collected and a minimum of 20% of net surplus.

b. Special Reserve

This reserve represents amounts appropriated by members to strengthen the capital based of the Credit Union and is not available for distribution.

	2015	2014
	\$	\$
Statutory Reserve	260,150,675.36	256,592,734
Entrance Fees	10,380	9,020
Total	<u>260,161,055</u>	<u>256,601,754</u>

11. Non-institutional capital

This represents amounts set aside to facilitate outreach and development activities of the credit union.

	2015	2014
	\$	\$
Capital Reserve	3,000,000	3,000,000
Gain on Investment	1,595,276	970,769
General Reserve	81,197,008	75,101,076
Share Fund transfer reserve	569,000	585,000
Loan loss reserve	32,134,242	15,292,158
	<u>118,495,526</u>	<u>94,949,003</u>

- i. Capital Reserve represents an amount put aside for significant capital expenditure.
- ii. Gain on investment represents the accumulated interest on the Credit Union's National Commercial Bank Capital Market account and its gain on the Jamaica Unit Trust securities
- iii. Loan loss reserves represents the cumulative excess of provision for loan loss determined by using the JCCUL regulatory requirements over the amount determined under IFRS (see note 4(i above)).

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2015

12. Undistributed deficit

This represents amount available for distribution to the members of the Credit Union

	2015	2014
	\$	\$
Undistributed deficit	(11,962,743)	(672,291)
	(11,962,743)	(672,291)

13. External Credit

	1 to 5 Years	Over 5 Years	Carrying value	Carrying value
	Non - Current		2014	2013
	\$		\$	\$
Sagicor Life Jamaica Limited	48,000,000		48,000,000	48,000,000
Guardian Life Limited	-	25,000,000	25,000,000	25,000,000
	48,000,000	25,000,000	73,000,000	73,000,000

- i. The loan facility from Sagicor life Jamaica Limited matures 2019 and is secured by Building located at 27 Parkington Plaza, Kingston 10 and bears an interest rate of 4%.
- ii. The loan facility from Guardian life Limited matures 2025 and is secured by hypothecation and bears an interest rate of 5%. The Credit Union is currently in negotiations for an addition \$25,000,000 at the same interest rate and security.

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2015

14. Members Deposits

	Within 3 Months	3 to 12 Months	Carrying value	Carrying value
	current		2015	2014
	\$	\$	\$	\$
Term Deposit	169,371,219	239,407,569	408,778,788	354,796,494
Regular deposits	102,410,615	-	102,410,615	89,265,476
Interest Accrued on Members deposits	12,696,600		12,696,600	12,253,016
	<u>284,478,434</u>	<u>239,407,569</u>	<u>523,886,003</u>	<u>456,314,985</u>

15. Payables and Accruals

This represents the non-interest earning liabilities of the company.

	<u>2015</u>	<u>2014</u>
	\$	\$
Accounts Payables	4,357,401	6,119,226
Death Claims	1,028,775	659,642
Interest & Premiums	9,436,017	9,574,735
Interest on external loan	846,951	926,683
General Consumption Tax	44,098	69,954
Honoraria	250,001	9,952
QNET	86,997	-
Security Deposit	203,676	203,676
Audit Fees	528,802	728,155
Other payables	2,140,073	3,417,684
	<u>18,922,790</u>	<u>21,709,709</u>

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2015

16. Other Financing cost

	2015	2014
	\$	\$
Interest on Loans	3,307,260	3,307,260
Bank Charges	2,958,443	5,191,401
	<u>6,265,704</u>	<u>8,498,661</u>

17. Miscellaneous Income

	<u>2015</u>	<u>2014</u>
	\$	\$
Commission and Fees	863,897	793,803
Bill of Sale	241,500	348,698
Discount Cards	13,700	14,200
Service Charge	5,655,402	5,298,125
Other	2,027,476	144,006
	<u>8,801,974</u>	<u>6,598,832</u>

18. Contingent Liability

The Credit Union has guaranteed \$9.6M to Collector of Customs for 3 years from June 2015 if a member fails to pay the duties on the vehicles imported when they are sold. In exchange a freehold title for a 2 bedroom apartment valued at \$12M provides security.

NOTES TO FINANCIAL STATEMENTSAS AT DECEMBER 31, 2015**19. Financial Risk****a. Fair Values**

Fair value amounts represent estimates of the arm's length consideration that would be currently agreed upon between knowledgeable and willing parties who are under no compulsion to act. This is best evidenced by a quoted market price. Many of the society's financial instruments lack an available trading market. Therefore, these instruments have been valued using other valuation techniques and may not necessarily be indicative of the amounts realisable in an immediate settlement of the instruments. The fair values of cash resources, securities purchased under resale agreements, other assets, and other liabilities, are assumed to approximate their carrying values due to their short-term nature. The fair value of the quoted equities is determined based on their quoted bid price at the statement of financial position date. The fair value of Government of Jamaica securities is estimated by discounting the future cash flows of the securities at the estimated yields at the date of the statement of financial position for similar securities. The estimated fair values of loans to members are assumed to be the principal receivable less any allowance for loan losses.

The fair value of external credits, deposits payable on demand or after notice, and deposits with a variable or floating rate payable on a fixed date are assumed to be equal to their carrying values. The estimated fair values of fixed rate deposits payable within a year are assumed to approximate their carrying values, due to their short-term nature. The fair values of financial assets and liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

	<u>2015</u>	<u>2015</u>	<u>2014</u>	<u>2014</u>
	Fair value	Carrying value	Fair value	Carrying value
	\$	\$	\$	\$
<u>Financial assets:</u>				
Loans and advances	1,017,554,851	1,017,554,851	992,964,007	992,964,007
Liquid assets	205,980,074	205,980,074	159,475,165	159,475,165
Financial investments	325,555,238	325,555,238	304,362,954	304,362,954
Non-earning assets	27,347,079	27,347,079	27,062,435	27,062,435
<u>Financial liabilities:</u>				
Savings deposits	523,886,003	523,886,003	456,314,985	456,314,985
Members' share capital	594,421,056	594,421,056	587,154,952	1,196,133,804
<u>Other liabilities</u>				
Non-interest liabilities	18,922,790	18,922,790	21,709,709	21,709,709

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2015

19. Financial Risk (cont'd)

a. Fair Values (cont'd)

	Fair value hierarchy as at 31/12/15			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets				
<i>Liquid assets</i>		131,459,094		131,459,094
<i>Loans and receivables:</i>				
- loans to members	-	1,017,554,851	-	1,017,554,851
- Other receivables	-		27,347,079	27,347,079
<i>Investments available for sale</i>				
- Repurchase agreements		255,622,088	-	255,622,088
- Other investments		62,492,523	-	62,492,523
- Unquoted investments			7,440,627	7,440,627
<i>Financial lease receivables</i>	-			
	-	1,467,128,556	34,787,706	1,501,916,262
Financial liabilities				
<i>Saving Deposits</i>		523,886,003	-	523,886,003
<i>Members' share capital</i>	-	594,421,056	-	594,421,056
<i>Loans from other entities</i>	-	73,000,000	-	73,000,000
<i>Trade and other payables</i>	-	18,922,790	-	18,922,790
Total	-	1,210,229,849	-	1,210,229,849

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2015

19. Financial Risk (cont'd)

b. Insurance

The Credit Union has in place the following insurance coverage which are deemed adequate:

- Jamaica International Insurance Company Limited, General all risk and fidelity.
- JN General Insurance Company Limited, Professional Liability.

c. Credit Risk

Credit risk is the risk of financial loss to the Credit Union if a member or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the Credit Union's loans to members, deposits with other institutions and investment securities. There is also credit risk exposure in respect of instruments such as loan commitments and guarantees which may not be stated on the Statement of Financial Position. They expose the Credit Union to similar risks as loans and are managed in similar manner.

The carrying amount of financial assets represents the maximum exposure to credit risk (before application of collateral held) which at the statement of financial position date was:

<i>Financial assets</i>	<u>2015</u>	<u>2014</u>
Cash and bank balances	74,520,980	34,742,629
Loans and receivables (including trade receivables balance)	1,044,901,930	1,020,026,442
Available-for-sale financial assets	457,398,519	429,095,489
 <i>Financial liabilities</i>		
Payables and Deposits	1,210,169,851	1,138,179,646

The carrying amount reflected above represents the company's maximum exposure to credit risk for loans and receivables.

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2015

19. Financial Risk (cont'd)

d. Loan loss provision

In the financial statements the credit union does not provide for loan loss in accordance to Jamaica Co-operative Credit Union League (JCCUL) as those methods are superseded that those of the International Financial Reporting Standards set out in the preceding paragraph.

For comparative purposes, the credit union continues to maintain the provision schedule in accordance with JCCUL requirements.

Provision based on the Jamaica Co-operative Credit Union League requirement December 31, 2015

Months arrears	Number of accounts	Delinquent Loans \$	Required provision \$	%
Less than 2	37	21,615,200		
2-3	12	2,632,196	263,220	10%
4-6	20	6,885,481	2,065,644	30%
6-12	28	14,634,491	8,780,695	60%
over 12	141	43,316,104	43,316,104	100%
Totals	238	89,083,472	54,425,662	

<u>Allowance for loan losses</u>	<u>2015</u>	<u>2014</u>
	\$	\$
Balance brought forward	46,579,177	39,171,997
Increase in provision for loan loss	7,846,485	7,407,180
Balance carried forward	<u>54,425,662</u>	<u>46,579,177</u>

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2015

19. Financial Risk (cont'd)

e. Liquidity Risk

Liquidity risk is the risk that the Credit Union will encounter difficulty in meeting obligations for its financial liabilities. The Credit Union's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due under both normal or stressed conditions. Prudent liquidity risk management which the Credit Union uses includes maintaining sufficient cash and marketable securities, monitoring future cash flows and liquidity on a daily basis and maintaining an adequate amount of committed overdraft facilities.

The Credit Union is subject to a liquidity limit set by the Jamaica Co-operative Credit Union League and compliance is closely monitored. The key measure used by the Credit Union for managing liquidity risk is the ratio of liquid assets to total savings deposit.

For this purpose, liquid assets include cash and bank balances, deposits held with JCCUL and highly liquid investments which are readily converted into cash within three months. The liquid asset ratio at the end of the year was 1:1.26 (2014: 1:1.13). There has been no change to the Credit Union's exposure to liquidity risk or the manner in which it manages and measures the risk.

	<u>2015</u>	<u>2014</u>
	\$	\$
Cash resources:		
Loans (after provision for loan impairment)	194,349,282	117,054,415
Financial investments (within 3 months)	255,622,088	234,925,145
Liquid assets	131,459,094	124,732,536
Cash & bank balances	74,520,980	34,742,629
Other Liquid assets	27,347,079	27,062,435
	<u>683,298,523</u>	<u>538,517,160</u>
Saving Deposits and other payables:		
Members deposits	523,886,003	456,314,985
Payables & accruals	18,922,790	21,709,709
	<u>542,808,793</u>	<u>478,024,694</u>
Ratio	1.26	1.13

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2015

19. Financial Risk (cont'd)

e. Liquidity risk cont'd

The following table presents the undiscounted contractual maturities of financial liabilities, including interest payments, on the basis of their earliest possible contractual maturity.

	Within 3 months	3-12 Months	1-5 Years	>5 Years	Total
	\$	\$	\$	\$	\$
2015					
Non-interest bearings	-	18,922,790	-	-	18,922,790
Fixed interest rate instruments	<u>284,478,434</u>	<u>833,828,625</u>	<u>48,000,000</u>	<u>25,000,000</u>	<u>1,191,307,059</u>
	<u>284,478,434</u>	<u>852,751,415</u>	<u>48,000,000</u>	<u>25,000,000</u>	<u>1,210,229,849</u>
2014					
Non-interest bearings	-	21,709,709	-	-	21,709,709
Fixed interest rate instruments	<u>244,708,809</u>	<u>798,761,128</u>	<u>48,000,000</u>	<u>25,000,000</u>	<u>1,116,469,937</u>
	<u>244,708,809</u>	<u>820,470,837</u>	<u>48,000,000</u>	<u>25,000,000</u>	<u>1,138,179,646</u>

Members' Voluntary share capital can be withdrawn at the option of the members, unless they are held as security for loans and guarantees, and will therefore affect the liquidity position of the Credit Union. These have no contractual maturity. The amounts included in the analysis are based on management's estimate of flows on expected cash from these instruments as determined by retention history. These may vary significantly from actual cash flows which are generally expected to maintain a stable or increasing balance.

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2014

19. Financial Risk (cont'd)

f. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. These arise mainly from changes in interest rate, foreign currency rate and equity prices and will affect the Credit Union's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. Market risk exposures are measured using sensitivity analysis.

There has been no change to the Credit Union's exposure to market risks or the manner in which it manages and measures the risk.

g. Currency risk

Currency risk is the risk that the market value of, or the cash flows from, financial instruments will vary because of exchange rate fluctuations. The Credit Union does not trade in foreign currencies but currently holds foreign currency saving accounts and investments denominated in United States dollars, consequently exposures to exchange rate fluctuations arise.

The carrying amounts of the Credit Union's foreign currency denominated monetary assets at the end of the reporting period are as follows:

	<u>2015</u>	<u>2014</u>
	\$	\$
Currency of United States of America	16,500,029	11,162,496

The following table details the Credit Union's sensitivity to a 1% increase and a 1% decrease in the Jamaican dollar against the United States dollar this represents management's assessment of the reasonably possible change in the foreign exchange rates.

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2015

19. Financial Risk (cont'd)

g. Currency risk (cont'd)

Maximum Exposure

	<u>2015</u>	<u>2015</u>	<u>2015</u>
	\$	\$	\$
	USD	+1% movement	-1% movement
Cash and Cash Equivalent	82,649	99,526	(49,763)
Financial Investments	54,371	65,474	(32,737)
Total cash flow impact	137,021	165,000	(82,500)

At December 31, 2015 the closing exchange rate for the Jamaica dollar, in terms of US dollar was J\$120.42

h. Interest rate risk

Interest rate risk is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates. It arises when there is a mismatch between interest-earning assets and interest-bearing liabilities which are subject to interest rate adjustments within a specified period. It can be reflected as a loss of future net interest income and or a loss of current market values. Interest rate risk is managed by holding primarily fixed rate financial instruments.

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2015

19. Financial Risk (cont'd)h. Interest rate risk (cont'd)

A summary of the Credit Union's interest rate gap position and sensitivity analysis is as follows:

	Within 3 months	3-12 Months	1-5 Years	>5 Years	Total
Assets					
Cash	9,952,618	-	-	-	9,952,618
Demand Deposits	131,459,094	-	-	-	131,459,094
Term Deposits	-	-	-	-	-
Investments	255,622,088	-	-	69,933,149	325,555,238
Loan Portfolio, net	84,665,088	109,684,194	429,744,477	393,461,092	1,017,554,851
Total Assets	481,698,889	109,684,194	429,744,477	463,394,241	1,484,521,801
Liabilities					
Demand Savings Account	115,107,215	-	-	-	115,107,215
Term Deposits	169,371,219	239,407,569	-	-	408,778,788
Loans Payable	-	-	48,000,000	25,000,000	73,000,000
Other Liabilities	594,421,056	-	-	-	594,421,056
Total Liabilities	878,899,490	239,407,569	48,000,000	25,000,000	1,191,307,059
Asset Liability Gap	(397,200,601)	(129,723,375)	381,744,477	438,394,241	293,214,742
Cumulative Asset-Liability Gap	(397,200,601)	(526,923,976)	(145,179,499)	293,214,742	(776,089,334)

INSURANCE EMPLOYEES CO-OPERATIVE CREDIT UNION LIMITED
NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2015

19. Financial Risk (cont'd)h. Interest rate risk (cont'd)

A 1% basis point increase or decrease is used and represents management's assessment of the reasonably possible change in interest rates.

SENSITIVITY ANALYSIS

Impact of 1% increase in interest rate per tenor bucket	(3,972,006)	(1,297,234)	3,817,445	4,383,942	2,932,147
Impact of 1% decrease in interest rate per tenor bucket	3,972,006	1,297,234	(3,817,445)	(4,383,942)	(2,932,147)
Impact of 1% increase in interest on cumulative gap	(3,972,006)	(5,269,240)	(1,451,795)	2,932,147	(7,760,893)
Impact of 1% decrease in interest rate on cumulative gap	3,972,006	5,269,240	1,451,795	(2,932,147)	7,760,893

i. Capital Management.

The Credit Union's objectives when managing capital are to safeguard the Credit Union's ability to continue as a going concern.

The Credit Union defines its capital as members' share capital, institutional capital and non-institutional capital. Dividend pay-outs are made taken into account as maintenance of an adequate capital base.

The Credit Union is required by the League to maintain its institutional capital at a minimum of 8 % of total assets. At the statement of financial position date, this ratio was 16 % (2014: 17 %) which is in compliance with the requirements.

There were no changes in the Credit Union's approach to capital management during the year.

	<u>2015</u>	<u>2014</u>
	\$	\$
Institutional Capital	260,161,055	256,601,754
Total Assets	1,601,804,816	1,507,877,530
Ratio	16%	17%