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NCB Financial Group Limited

Financial Statements
September 30, 2017

NCB Financial Group Limited
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Independent auditor's report

To the Members of NCB Financial Group Limited

Report on the audit of the consolidated and stand-alone financial statements

Our opinion

In our opinion, the consolidated financial statements and the stand-alone financial statements give a true and fair view of the consolidated financial position of NCB Financial Group Limited (the Company) and its subsidiaries (together the Group) and the stand-alone financial position of the Company as at 30 September 2017, and of their consolidated financial performance and their consolidated cash flows for the year then ended, and stand-alone financial performance and stand-alone cash flows for the eighteen months then ended, in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Jamaican Companies Act.

What we have audited

NCB Financial Group Limited's consolidated and stand-alone financial statements which comprise:

- The consolidated income statement for the year ended 30 September 2017;
- The consolidated statement of comprehensive income for the year ended 30 September 2017;
- The consolidated statement of financial position as at 30 September 2017;
- The consolidated statement of changes in equity for the year ended 30 September 2017;
- The consolidated statement of cash flows for year ended 30 September 2017;
- The statement of comprehensive income for the eighteen months ended 30 September 2017;
- The statement of financial position as at 30 September 2017;
- The statement of changes in equity for the eighteen months ended 30 September 2017;
- The statement of cash flows for the eighteen months ended 30 September 2017; and
- The notes to the financial statements, which include significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and stand-alone financial statements* section of our report.

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

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Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our audit approach

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and stand-alone financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and stand- alone financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In relation to the stand-alone Company, we have determined that there are no key audit matters to communicate in our report.

Key audit matter	How our audit addressed the Key audit matter
Reorganisation of NCB Financial Group Limited *See notes 1, 2 (a) and 3 to the consolidated financial statements for management's disclosures of related accounting policies.*	
During the financial year, National Commercial Bank Jamaica Limited (NCBJ) underwent a reorganisation which resulted in NCB Financial Group Limited (NCBFG) as the new parent company for NCBJ, in comparison to the prior financial year, when NCBFG was controlled by NCBJ and was consolidated in the financial statements of NCBJ accordingly. The reorganisation was effected in March 2017 under a court sanctioned scheme of arrangement, where the previously existing shares in NCBJ were cancelled, with new shares of equal amount, in NCBJ, being issued to NCBFG. NCBFG then issued shares, on a one for one basis, to all previous shareholders in NCBJ. On completion of the reorganisation,	We obtained an understanding of management's position as well as examined their proposed accounting policy treatment. We compared management's policy and assumption of no change in control against the criteria of IFRS 3 and IFRS10 and did not identify any contradictory conclusions. We examined the original legal documents which gave effect to the reorganisation, and confirmed that the necessary approvals were obtained as well as assessed the terms of the scheme to support the conclusions over management's judgement supporting no change in control. We did not identify any information that contradicted the accounting policy conclusion. We evaluated the adequacy of the presentation of the financial statements and related disclosures to ensure that the reorganisation was sufficiently described and that the presentation was appropriate based on

Key audit matter	How our audit addressed the Key audit matter
each shareholder in NCBFG had the same number of shares held in NCBJ, prior to the scheme of arrangement. In assessing the transaction, management considered that there was no change in control of the Group before and after the transaction. Management determined that the use of the predecessor method of accounting is the most appropriate method to be used in the circumstances. In applying the predecessor method, management presented prior period comparatives at pre reorganisation carrying amounts, and in the current year, presented a full year's financial results, even though the reorganisation took place during the current financial year. The accounting for the reorganisation and the presentation of the financial statements were areas of focus because of management's judgement in determining the accounting treatment.	management's accounting policy. We found no exceptions.
Impairment losses on loans and advances to customers *See notes 2 (j) and 21 to the financial statements for management's disclosures of related accounting policies, judgements and estimates.* As at 30 September 2017, loans and advances, net of provision for credit losses represented \$218.0 billion or 32% of total assets of the Group. IFRS determined impairment provisions of \$3.7 billion have been recognised for the Group. We focused on the IFRS determined impairment assessment as the assumptions used for estimating both the amount and timing of future cash flows are complex and involve significant judgment by management, including: • Classification of loans as impaired: we focused on management's identification of	We assessed and tested the design and operating effectiveness of the controls over impairment data and calculations. These controls included identification of which loans and advances were impaired. We determined we could rely on these controls for the purposes of our audit. We evaluated management's process by testing a sample of loans and advances which had not been identified by management as potentially impaired and formed our own judgement as to whether that was appropriate. The criteria we used to determine if there is objective evidence of impairment included: • Significant financial difficulty of the borrower;

Key audit matter	How our audit addressed the Key audit matter
the customer accounts that are included in the impairment assessment from a completeness perspective. ▪ Valuation of real estate property pledged as collateral: this is the most significant repayment source for impaired retail and impaired commercial loans. The estimation of collateral values is impacted by market trends as well as the circumstances of the specific property and involves judgment and specialised skills.	• Default or delinquency in interest or principal payments; • Concessions granted to a borrower that would not otherwise be considered due to the borrower's financial difficulty; • The probability that the borrower will enter bankruptcy or other financial reorganization; or • Observable market data indicating that there is a measurable decrease in the estimated future cash flows from the loan portfolio since the initial recognition of the loans.
▪ The key assumptions and judgments made by management when calculating the provision for individually impaired loans: Key assumptions and judgments include the estimated costs to sell the collateral, time to liquidate the pledged collateral and the amount and timing of collection of cash flows from other sources than pledged collateral.	Based on the testing, no adjustments were considered necessary. Where impairment had been identified, we inspected the forecasts of future cash flows prepared by management to support the calculation of the impairment, testing the assumptions and comparing estimates to external evidence where available. Management uses valuation experts to support their estimate of future cash flows from the asset, including realisation of the collateral held. Using a risk based approached, we engaged our experts to perform independent valuations of commercial and residential properties held as collateral. Based on the testing results, no adjustments were considered necessary. We tested the completeness of management's listing of potentially impaired loans by reperforming the process using management's impairment criterion. No differences were noted. Where an impairment provision had been identified by management based on an expected default rate against performing loans by sector, we evaluated the default rate model and compared inputs to relevant data including historical loss experience for loans with similar risk characteristics. We also checked the calculations for mathematical accuracy, noting no exceptions. We evaluated the performance of the loan portfolio subsequent to the end of the reporting period to

Key audit matter	How our audit addressed the Key audit matter
	identify significant adjusting subsequent events and did not identify any such events.
Valuation of investments classified as fair value through profit or loss, available-for-sale and loans and receivable, and pledged assets. *See notes 2(k), 19, 22 and 23 to the financial statements for management's disclosures of related accounting policies, judgements and estimates.*	
As at 30 September 2017, investments classified as investment securities at fair value through profit or loss, available-for-sale and loans and receivable, and pledged assets together account for $301.0 billion or 43% of total assets of the Group. For some of the investments, an active market exists, from which quoted prices can be obtained. For others, management uses valuation techniques, which utilise inputs such as the investment cash flow details and a market yield obtained from established yield curves. The magnitude of this balance, the complexity of the models used, the use of management assumptions, and the potential for misstatement from the use of inappropriate yields from the yield curve resulted in this being an area of focus.	For investments for which quoted prices were available, we compared prices used by management to independent pricing sources. No exceptions identified. For investments which were valued using a valuation technique, we tested management's valuation for a sample of individual investment holdings by comparing investment cash flow details and yields to independent pricing and data sources, including externally independently developed yield curves. We evaluated management's assumptions in relation to the timing and amounts of cash flows in relation to the sample of investments by considering any indicators to suggest that there may be variations to the contractual cash flows expected. We recalculated the carrying value, and amounts disclosed for the fair value of the Group's investments for mathematical accuracy and noted no exceptions. Based on the testing, no adjustments were considered necessary.

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Key audit matter	How our audit addressed the Key audit matter

Valuation of incurred but not reported claims for property & casualty contracts

See notes 2(t) and 34 to the financial statements for management's disclosures of related accounting policies, judgements and estimates.

As at 30 September 2017, total incurred but not reported reserves account for $1.9 billion or 0.3% of total liabilities of the Group.

The methodologies and assumptions utilized to develop incurred but not reported reserves involve a significant degree of judgement.

The liabilities are based on the best-estimate ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs. There is generally less information available in relation to these claims, which can result in variability between initial estimates and final settlement. A range of methods, may be used to determine these provisions.

We focused on this area because, underlying these methods are a number of explicit and implicit assumptions relating to the expected settlement amount and settlement patterns of claims and the values determined are subject to complex calculations.

We tested the completeness, accuracy and reliability of the underlying data utilized by management, and their external actuarial experts to support the actuarial valuation. Our tests did not identify any exceptions.

We were assisted by actuarial specialists who performed a review of the actuarial valuation done by the Group's actuary. In reviewing the valuation, we evaluated the assumptions used by management and assessed the methodologies used for appropriateness and consistency with established actuarial practice and methodologies used in the prior year. The assumptions used by management were found to be reasonable and the methodologies applied appropriate in the circumstance.

Key audit matter	How our audit addressed the Key audit matter
Methodologies and assumptions used for determining insurance contract liabilities for life insurance and annuity insurance contracts *See notes 2(t) and 34 to the financial statements for management's disclosures of related accounting policies, judgements and estimates.*	
As at 30 September 2017, risk reserves for life insurance and annuity contracts account for $3.0 billion or 0.5% of the total liabilities of the Group. We focused on this area because the valuation of the provisions for the settlement of future claims involves complex and subjective judgements about future events, both internal and external to the business, for which small changes in assumptions may result in significant impacts to the valuation of these liabilities.	We tested the completeness, accuracy and reliability of the underlying data utilized by management to support the actuarial valuation. We tested a sample of contracts to assess whether contract features and demographic data corresponded to the data file given by management to its actuary. We engaged an actuarial specialist to evaluate the methodologies and assumptions utilized by management's actuarial expert considering industry and component specific facts and circumstances. Specific areas of focus were mortality assumptions, contract lapses, investment return and associated discount rate, and operating expenses, all of which are based on entity experience or publicly available information. We found the significant estimates and assumptions used by management to be reasonable, and that the methodologies used were actuarially established and accepted and appropriate in the circumstance.

Key audit matter	How our audit addressed the Key audit matter
Impairment assessment for the Group's shareholding in associated company *See notes 2 (b), 3 and 24 to the financial statements for disclosures of related accounting policies.*	
At 30 September 2017, the market capitalisation for the Group's shareholdings in one of its associated companies was below its carrying value of $29.8 billion, as determined using equity accounting. This was considered to be an indicator of potential impairment, which required further consideration by management, as to whether a formal impairment assessment was required. Management concluded that an assessment was required, and performed a value in use calculation. We focused on this due to its subjectivity and the sensitivity to changes in inputs, as the performance of value in use calculation involves the use of estimates including future cash flow projections, revenue growth rates, discount rates and terminal growth rates. Based on the results of management's assessment, management has concluded that the investment is not impaired.	We examined management's assessment of the historical performance of its investment and compared underlying financial data used in the assessment, to audited financial statements and other publicly available financial information. We were assisted by our valuation expert to evaluate management's value in use calculation. We evaluated management's assumptions in relation to future cash flow projections, revenue growth rates, discount factors and terminal growth rates by forming our own independent expectation, referencing historical entity performance information, economic and statistical data. Our procedures did not identify any exceptions which would indicate that the investment in the associated company would require an impairment provision.

Other information

Management is responsible for the other information. The other information comprises the Annual Report, (but does not include the consolidated and stand-alone financial statements and our auditor's report thereon), which is expected to be made available to us after this auditor's report date.

Our opinion on the consolidated and stand-alone financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and stand-alone financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and stand-alone financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated and stand-alone financial statements

Management is responsible for the preparation of the consolidated and stand-alone financial statements that give a true and fair view in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated and stand-alone financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and stand-alone financial statements, management is responsible for assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group, the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and stand-alone financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and stand-alone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and stand-alone financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and stand-alone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and stand-alone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and stand-alone financial statements, including the disclosures, and whether the consolidated and stand-alone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and stand-alone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

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

The engagement partner on the audit resulting in this independent auditor's report is Garfield Reece.

PricewaterhouseCoopers

Chartered Accountants
23 November 2017
Kingston, Jamaica

NCB Financial Group Limited

Consolidated Income Statement

Year ended September 30, 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 $'000	2016 $'000
Operating Income			
Interest income		42,837,213	39,156,349
Interest expense		(13,077,544)	(11,032,579)
Net interest income	6	29,759,669	28,123,770
Fee and commission income		17,010,753	13,575,872
Fee and commission expense		(3,119,686)	(2,634,361)
Net fee and commission income	7	13,891,067	10,941,511
Gain on foreign currency and investment activities	8	7,726,060	4,736,122
Premium income	9	7,573,599	7,480,690
Dividend income	10	295,123	149,921
Other operating income		229,070	137,348
		15,823,852	12,504,081
		59,474,588	51,569,362
Operating Expenses			
Staff costs	11	16,461,158	13,809,023
Provision for credit losses	21	729,234	612,355
Policyholders’ and annuitants’ benefits and reserves	12	4,180,027	3,775,253
Depreciation and amortisation		2,359,274	1,899,414
Other operating expenses	13	14,586,267	13,377,245
		38,315,960	33,473,290
Operating Profit		21,158,628	18,096,072
Share of profit of associates	24	2,850,700	832,480
Profit before Taxation		24,009,328	18,928,552
Taxation	14	(4,901,510)	(4,479,992)
NET PROFIT		19,107,818	14,448,560
Earnings per stock unit			
Basic and diluted (expressed in $)	15	7.76	5.87

NCB Financial Group Limited

Consolidated Statement of Comprehensive Income

Year ended September 30, 2017

(expressed in Jamaican dollars unless otherwise indicated)

	2017 $'000	2016 $'000
Net Profit	19,107,818	14,448,560
Other Comprehensive Income, net of tax -		
Items that will not be reclassified to profit or loss		
Remeasurements of post-employment benefit obligations	(388,640)	63,139
Share of other comprehensive income of associated companies	45,157	(77,158)
	(343,483)	(14,019)
Items that may be reclassified subsequently to profit or loss		
Currency translation gains	204,415	703,172
Share of other comprehensive income of associated companies	402,481	(58,606)
Unrealised gains on available-for-sale investments	3,484,021	6,598,378
Realised fair value gains on sale and maturity of available-for-sale investments	(3,318,701)	(1,183,914)
	772,216	6,059,030
Total other comprehensive income	428,733	6,045,011
TOTAL COMPREHENSIVE INCOME	19,536,551	20,493,571

NCB Financial Group Limited

Consolidated Statement of Financial Position

September 30, 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017	2016
		$'000	$'000
ASSETS			
Cash in hand and balances at Central Banks	16	65,314,659	35,373,141
Due from banks	17	39,414,981	43,820,550
Derivative financial instruments	18	205,984	276,429
Investment securities at fair value through profit or loss	19	2,580,938	2,956,990
Reverse repurchase agreements	20	2,861,218	2,810,257
Loans and advances, net of provision for credit losses	21	218,615,226	189,055,786
Investment securities classified as available-for-sale and loans and receivables	22	189,070,828	166,426,708
Pledged assets	23	109,321,414	108,414,917
Investment in associates	24	37,186,185	34,787,067
Investment properties	25	812,619	524,917
Intangible assets	26	4,922,810	3,445,197
Property, plant and equipment	27	10,431,461	8,439,961
Deferred income tax assets	28	1,622,204	179,748
Income tax recoverable		1,515,680	780,807
Customers' liability – letters of credit and undertaking		1,971,727	2,201,599
Other assets	29	7,876,257	8,175,359
Total Assets		693,724,191	607,669,433

NCB Financial Group Limited

Consolidated Statement of Financial Position (Continued)
September 30, 2017
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 $'000	2016 $'000
LIABILITIES			
Due to banks	30	10,547,381	13,273,458
Customer deposits		288,464,013	273,965,888
Repurchase agreements		115,586,590	105,974,938
Obligations under securitisation arrangements	31	66,743,350	47,899,756
Derivative financial instruments	18	132,347	72,820
Other borrowed funds	32	38,649,556	12,061,154
Income tax payable		168,582	753,788
Deferred income tax liabilities	28	1,498,616	1,848,538
Liabilities under annuity and insurance contracts	34	36,185,320	35,282,653
Post-employment benefit obligations	35	4,020,696	3,131,117
Liability – letters of credit and undertaking		1,971,727	2,201,599
Other liabilities	36	13,762,244	8,098,414
Total Liabilities		577,730,422	504,564,123
EQUITY			
Share capital	37	153,827,330	-
Treasury shares	37	(330,129)	-
Reorganisation reserve	37	-	6,462,343
Fair value and capital reserves	38	(137,438,291)	8,824,351
Loan loss reserve	39	4,287,288	4,447,709
Banking reserve fund	40	6,567,333	6,539,948
Retained earnings reserve	41	35,650,000	29,620,000
Retained earnings		53,430,238	47,210,959
Total Equity		115,993,769	103,105,310
Total Equity and Liabilities		693,724,191	607,669,433

Approved for issue by the Board of Directors on November 9, 2017 and signed on its behalf by:

Patrick Hylton — President and Group Chief Executive Officer

Dennis Cohen — Group Chief Financial Officer and Deputy Chief Executive Officer

Professor Alvin Wint — Director

Dave Garcia — Company Secretary

NCB Financial Group Limited
Consolidated Statement of Changes in Equity
Year ended September 30, 2017
(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital	Treasury Shares	Reorganisation Reserve	Fair Value and Capital Reserves	Loan Loss Reserve	Banking Reserve Fund	Retained Earnings Reserve	Retained Earnings	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at October 1, 2015		-	-	6,462,343	2,765,321	5,706,122	6,518,648	20,810,000	46,131,777	88,394,211
Total comprehensive income		-	-	-	6,059,030	-	-	-	14,434,541	20,493,571
Transfer from Loan Loss Reserve		-	-	-	-	(1,258,413)	-	-	1,258,413	-
Transfer to Banking Reserve Fund		-	-	-	-	-	21,300	-	(21,300)	-
Transfer to Retained Earnings Reserve		-	-	-	-	-	-	8,810,000	(8,810,000)	-
Transaction with owners of the Company -										
Dividends paid	48	-	-	-	-	-	-	-	(5,782,472)	(5,782,472)
Balance at September 30, 2016		-	-	6,462,343	8,824,351	4,447,709	6,539,948	29,620,000	47,210,959	103,105,310
Total comprehensive income		-	-	-	772,216	-	-	-	18,764,335	19,536,551
Transfer from Loan Loss Reserve		-	-	-	-	(160,421)	-	-	160,421	-
Transfer to Banking Reserve Fund		-	-	-	-	-	27,385	-	(27,385)	-
Transfer to Retained Earnings Reserve		-	-	-	-	-	-	6,030,000	(6,030,000)	-
Issue of shares on reorganisation	37	153,827,330	(330,129)	(6,462,343)	(147,034,858)	-	-	-	-	-
Transaction with owners of the Company -										
Dividends paid		-	-	-	-	-	-	-	(6,648,092)	(6,648,092)
Balance at September 30, 2017		153,827,330	(330,129)	-	(137,438,291)	4,287,288	6,567,333	35,650,000	53,430,238	115,993,769

NCB Financial Group Limited

Consolidated Statement of Cash Flows

Year ended September 30, 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 $'000	2016 $'000
Cash Flows from Operating Activities			
Net profit		19,107,818	14,448,560
Adjustments to reconcile net profit to net cash provided by operating activities		(15,237,164)	21,225,555
Net cash provided by operating activities	42	3,870,654	35,674,115
Cash Flows from Investing Activities			
Acquisition of investment in associates	24	(50,000)	(27,952,114)
Acquisition of property, plant and equipment	27	(3,306,436)	(1,487,145)
Acquisition of intangible asset – computer software	26	(2,539,825)	(1,417,935)
Proceeds from disposal of property, plant and equipment		48,376	23,596
Purchase of investment property	25	(164,491)	-
Dividends received from associates	24	1,079,451	434,978
Purchases of investment securities		(251,665,584)	(239,697,929)
Sales/maturities of investment securities		231,325,177	246,559,985
Net cash used in investing activities		(25,273,332)	(23,536,564)
Cash Flows from Financing Activities			
Proceeds from securitisation arrangements		18,893,926	-
Repayment of securitisation arrangements		(1,090,693)	-
Proceeds from other borrowed funds		31,350,316	5,569,431
Repayments of other borrowed funds		(4,966,435)	(2,537,791)
Due to banks		(3,173,039)	6,637,919
Dividends paid		(6,648,092)	(5,782,472)
Net cash provided by financing activities		34,365,983	3,887,087
Effect of exchange rate changes on cash and cash equivalents		1,341,023	3,729,021
Net increase in cash and cash equivalents		14,304,328	19,753,659
Cash and cash equivalents at beginning of period		48,633,379	28,879,720
Cash and Cash Equivalents at End of Period		62,937,707	48,633,379
Comprising:			
Cash in hand and balances at Central Banks	16	26,290,505	5,540,284
Due from banks	17	35,515,793	43,414,871
Reverse repurchase agreements	20	2,170,573	1,319,906
Investment securities	22	2,725,170	1,653,236
Due to banks	30	(3,764,334)	(3,294,918)
		62,937,707	48,633,379

NCB Financial Group Limited

Statement of Comprehensive Income

Eighteen months ended September 30, 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 $'000
Income		
Management fees	7	3,864,750
Dividend income	10	4,369,900
Losses on foreign currency activities	8	(890,967)
		7,343,683
Expenses		
Staff costs	11	544,668
Other operating expenses	13	1,079,338
		1,624,006
Operating profit		5,719,677
Interest income	6	382,867
Interest expense	6	(2,809,471)
Profit before Taxation		3,293,073
Taxation	14	269,207
NET PROFIT, BEING TOTAL COMPREHENSIVE INCOME		3,562,280

NCB Financial Group Limited
Statement of Financial Position
September 30, 2017
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 $'000
ASSETS		
Due from banks	17	30,093,874
Loan to related party	21	9,591,511
Investment in subsidiaries		181,779,442
Deferred income tax assets		269,207
Other assets	29	5,249,697
Total Assets		226,983,731
LIABILITIES		
Due to banks	30	31,464,349
Other borrowed funds	32	40,359,048
Tax payable		62,246
Other liabilities	36	668,594
Total Liabilities		72,554,237
EQUITY		
Share capital	37	153,827,330
Retained earnings		602,164
Total Equity		154,429,494
Total Equity and Liabilities		226,983,731

Approved for issue by the Board of Directors on November 9, 2017 and signed on its behalf by:

Patrick Hylton — President and Group Chief Executive Officer

Dennis Cohen — Group Chief Financial Officer and Deputy Chief Executive Officer

Professor Alvin Wint — Director

Dave Garcia — Company Secretary

NCB Financial Group Limited

Statement of Changes in Equity

Eighteen months ended September 30, 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital	Retained Earnings	Total
		$'000	**$'000**	**$'000**
Issue of shares	37	153,827,330	-	153,827,330
Total comprehensive income		-	3,562,280	3,562,280
Transaction with owners of the Company -				
Dividends paid	48	-	(2,960,116)	(2,960,116)
Balance at September 30, 2017		153,827,330	602,164	154,429,494

NCB Financial Group Limited

Statement of Cash Flows

Eighteen months ended September 30, 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017
		$'000
Cash Flows from Operating Activities		
Net profit		3,562,280
Adjustments to reconcile net profit to net cash provided by/(used in) operating activities:		
Interest income	6	(382,867)
Interest expense	6	2,809,471
Income tax expense	14	(269,207)
Foreign exchange losses	8	890,967
Changes in operating assets and liabilities:		
Loans and advances		(9,579,184)
Withholding taxes		62,246
Other		(4,581,100)
		(11,049,674)
Interest received		2,323
Interest paid		(237,946)
		(11,285,297)
Net cash used in operating activities		(7,723,017)
Cash Flows from Investing Activities		
Acquisition of investment in subsidiary		(27,952,114)
Net cash used in investing activities		(27,952,114)
Cash Flows from Financing Activities		
Proceeds from other borrowed funds		40,240,744
Due to banks		28,120,160
Dividends paid		(2,960,116)
Net cash provided by financing activities		65,400,788
Net increase in cash and cash equivalents		29,725,657
Cash and cash equivalents at beginning of period		-
Cash and Cash Equivalents at End of Period	17	29,725,657

NCB Financial Group Limited

Notes to the Financial Statements
September 30, 2017
(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities

NCB Financial Group Limited ("the Company") is incorporated and domiciled in Jamaica. The Company is 49.17% owned by AIC (Barbados) Limited. The ultimate parent company is Portland Holdings Inc., incorporated in Canada. Portland Holdings Inc. is controlled by Hon. Michael A. Lee-Chin, OJ, Chairman of the Company.

During March 2017, through a court sanctioned and shareholder approved Scheme of Arrangements, the Company became the parent of National Commercial Bank Jamaica Limited (the Bank). The Company was established during the 2016 financial year, and was then controlled by, and consolidated in the financial statements of the Bank. The Bank's shares were previously listed on the Jamaica and Trinidad and Tobago Stock Exchanges.

Under the Scheme of Arrangement, the pre-existing shares in the Bank were transferred en-bloc to the Company, which in turn issued on a one for one basis, shares in the Company to the previous shareholders in Bank. Nominal shares, previously existing in the Company, were also cancelled. At the end of the transaction, each shareholder in the Company had an identical number of shares in the Company, as he or she had in the Bank prior to the Scheme of Arrangements. The execution of the Scheme of Arrangements did not change ultimate control of the Company or the Bank and consequently the transaction was accounted for as a re-organisation. As explained in note 2 (a) and 3, in accounting for the transaction, the Company applied the predecessor method of accounting, and accounted for the transaction retrospectively, as if the existing ownership structure was always in place. Prior period comparatives, reflecting pre-existing income and expense and asset and liability balances for the Company and the Bank are presented in these financial statements.

The Company's registered office is located at 32 Trafalgar Road, Kingston 10, Jamaica.

Subsequent to the execution of the Scheme of Arrangements, the Company's ordinary stock units were listed on the Jamaica Stock Exchange and the Trinidad and Tobago Stock Exchange.

NCB Financial Group Limited

Notes to the Financial Statements
September 30, 2017
(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities (Continued)

The Company's subsidiaries and other consolidated entities, which together with the Company are referred to as "the Group", are as follows:

	Principal Activities	Percentage Ownership by The Group
National Commercial Bank Jamaica Limited	Commercial Banking	100
Data-Cap Processing Limited	Security Services	100
Mutual Security Insurance Brokers Limited	Dormant	100
NCB Capital Markets Limited	Securities Dealer and Stock Brokerage Services	100
Advantage General Insurance Company Limited	General Insurance	100
NCB Capital Markets (Cayman) Limited	Securities Dealer	100
NCB Global Finance Limited	Merchant Banking	100
NCB Capital Markets (Barbados) Limited	Brokerage Services	100
NCB Capital Markets SA	Inactive	100
NCB (Cayman) Limited	Commercial Banking	100
NCB Trust Company (Cayman) Limited *	-	100
NCB Insurance Company Limited	Life Insurance, Investment and Pension Fund Management Services	100
N.C.B. (Investments) Limited*	-	100
N.C.B. Jamaica (Nominees) Limited	Dormant	100
NCB Remittance Services (Jamaica) Limited	Dormant	100
NCB Financial Services UK Limited (formerly NCB Remittance Services (UK) Limited)	Pension Remittances	100
West Indies Trust Company Limited	Trust and Estate Management Services	100
NCB Employee Share Scheme	Dormant	100
NCB Global Holdings Limited	Holding Company	100

*No significant activities at this time.

All subsidiaries are incorporated in Jamaica with the exception of NCB (Cayman) Limited, NCB Trust Company (Cayman) Limited, and NCB Capital Markets (Cayman) Limited, which are incorporated in the Cayman Islands, NCB Financial Services UK Limited, which is incorporated in the United Kingdom, NCB Global Finance Limited and NCB Global Holdings Limited which are incorporated in Trinidad and Tobago, NCB Capital Markets (Barbados) Limited which is incorporated in Barbados and NCB Capital Markets SA which is incorporated in the Dominican Republic.

1. Identification and Principal Activities (Continued)

The Group's associates are as follows:

	Principal Activities	Percentage ownership by The Group
Dyoll Group Limited	In Liquidation	44.47
Elite Diagnostic Limited	Medical Imaging Services	29.61
Guardian Holdings Limited	Life Insurance, Investment and Pension Fund Management Services	29.99
JMMB Group Limited	Securities Dealer and Stock Brokerage Services	26.30
Mundo Finance Limited	Micro Financing	50.00

All of the Group's associates are incorporated in Jamaica, except for Guardian Holdings Limited which is incorporated in Trinidad and Tobago.

With the exception of the Company's shareholding in NCB Global Holdings, and Guardian Holdings Limted, the Company's shareholdings in the above listed entities was nil in the prior year.

2. Significant Accounting Policies

(a) Basis of preparation

The financial statements have been prepared in accordance with, and comply with, International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale investment securities, investment securities at fair value through profit or loss, derivative contracts and investment property.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed in Note 3.

As referenced in Note 1, the Group underwent a re-organisation during the financial year, following the completion and execution of a court sanctioned and shareholder approved Scheme of Arrangements. In accounting for the re-organisation, the Company has used the predecessor method of accounting, and has applied it retrospectively. In applying the precedessor method retrospectively, prior period amounts for income and expenses, and assets and liabilities, and cash flows are presented without any valuation adjustments. The financial statements have been presented as if the current ownership structure and arrangements had always been in place. Share capital for the Group is considered from the perspective of the Company. Therefore, prior to the consummation of the Scheme of Arrangements, the consolidated financial statements for the Group reflect share capital of nil. Previous amounts recorded in the financial statements as share capital for the Bank (consolidated), until the re-organisation, are reflected as a re-organisation reserve.

The value for share capital issued by the Company was determined by reference to the published Jamaica Stock Exchange (JSE) market capitalsation for the Bank for the last day of trading. Management of the Group was of the view, that this best reflected fair value. The difference between the value attributed to the shares issued, and the previous share capital is reflected as an adjustement to equity, and the re-organisation reserve was eliminated.

NCB Financial Group Limited
Notes to the Financial Statements
September 30, 2017
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to existing standards effective during the current year

The following amendments to existing standards became effective during the financial year and are deemed to be relevant to the Group’s operations:

Amendments to IAS 27, ‘Consolidated and Separate Financial Statements’, (effective for annual periods beginning on or after 1 January 2016). The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The adoption of this amendment is not expected to have a significant impact on the Group’s financial statements.

Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, (effective for annual periods beginning on or after 1 January 2016). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The adoption of these amendments is not expected to have a significant impact on the Group’s financial statements.

Annual Improvements 2015, (effective for annual periods beginning on or after 1 January 2016). The amendments impact the following standards.

IFRS 5 was amended to clarify that a change in the manner of disposal (reclassification from "held for sale" to "held for distribution" or vice versa) does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such.

The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34.

The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise. IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report". The adoption of these improvements is not expected to have a significant impact on the Group’s financial statements.

Amendment to IAS 1, ‘Presentation of Financial Statements’, (effective for annual periods beginning on or after 1 January 2016). This amendment forms part of the IASB’s Disclosure Initiative, which explores how financial statement disclosures can be improved. It clarifies guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendment also clarifies that the share of other comprehensive income (OCI) of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, classified between those items that will or will not be subsequently reclassified to profit or loss. The adoption of this standard resulted in a minor change to thepresentation of the consolidated statement of comprehensive income.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

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

IAS 7, 'Statement of cash flows' (effective for annual periods beginning on or after 1 January 2017). These amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are part of the IASB's Disclosure initiative, which continues to explore how financial statement disclosure can be improved.

IAS 12, 'Income taxes' (effective for annual periods beginning on or after 1 January 2017). These amendments on recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.

IFRS 9, Financial Instruments (effective for annual periods beginning on or after 1 January 2018). In July 2014, the IASB issued IFRS 9 which is the comprehensive standard to replace *IAS 39 'Financial Instruments: Recognition and Measurement'*, and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).

Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect the asset's cash flows, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in its credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

NCB Financial Group Limited

Notes to the Financial Statements
September 30, 2017
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

IFRS 9, 'Financial Instruments' (continued)

IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

IFRS 15, Revenue from contracts with Customers, (effective for annual periods beginning on or after 1 January 2018). The IASB has published its new revenue standard, IFRS 15 'Revenue from Contracts with Customers'. The U.S. Financial Accounting Standards Board (FASB) has concurrently published its equivalent revenue standard which is the result of a convergence project between the two Boards. IFRS 15 applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. It specifies how and when an entity will recognise revenue. It also requires entities to provide more informative, relevant disclosures. The standard supersedes IAS 18, 'Revenue', IAS 11, 'Construction Contracts' and a number of revenue-related interpretations. IFRS 15,'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation).

IFRS 16, 'Leasing' (effective for annual periods beginning on or after 1 January 2019) Under IAS 17, lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

IFRIC 22, 'Foreign currency transactions and advance consideration' (effective for annual periods beginning on or after 1 January 2018). This IFRIC addresses foreign currency transactions or parts of transactions where there is a consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

IFRS 17, 'Insurance contracts' (effective for annual periods beginning on or after 1 January 2021). This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – Amendments to IFRS 4 (effective for annual periods beginning on or after 1 January 2018). In September 2016, the IASB published an amendment to IFRS 4 which addresses the concerns of insurance companies about the different effective dates of IFRS 9, Financial Instruments, and the forthcoming new insurance contracts standard. The amendment provides two different solutions for insurance companies: a temporary exemption from IFRS 9 for entities that meet specific requirements (applied at the reporting entity level), and the 'overlay approach'. Both approaches are optional.

Transfer of Investment Property – Amendment to IAS 40 (effective for annual periods beginning on or after 1 January 2018). The amendment clarifies that transfers to, or from, investment property can only be made of there has been a change in use that is supported by evidence. A change in use occurs when the property meets, or ceases to meet, the definition of investment property. A change in intention alone is not sufficient to support a transfer.

Annual improvements 2014-2016- These amendments impact 3 standards:
- **IFRS 1, 'First-time adoption of IFRS',** regarding the deletion of short term exemptions for first-time adopters regarding IFRS 7, IAS 19 and IFRS 10 effective 1 January 2018.
- **IAS 28, 'Investments in associates and joint ventures'** regarding measuring an associate or joint venture at fair value effective 1 January 2018.

The Group is currently assessing the impact of future adoption of the above new standards on its financial statements.

(b) Basis of consolidation

Subsidiaries
Subsidiaries are those entities which the Group controls because the Group (i) has power to direct relevant activities of the entities that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the entities, and (iii) has the ability to use its power over the entities to affect the amount of the entities returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the entities need to be made. The Group may have power over an entity even when it holds no ownership interests in the entity, or when it holds less than majority of voting power in an entity. In such cases, the Group exercises judgement and assesses its power to direct the relevant activities of the entity, as well as the size of its of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the entity. Protective rights of other investors, such as those that relate to fundamental changes in the entity's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

NCB Financial Group Limited
Notes to the Financial Statements
September 30, 2017
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(b) Basis of consolidation (continued)

Subsidiaries (continued)
The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intercompany transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

In the NCB Financial Group's stand-alone financial statements, investments in subsidiaries are accounted for at cost less impairment.

Associates
Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. The Group's investments in associates include goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains on transactions hbetween the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The Group determines at each reporting date whether there is any objective evidence that investments in associates are impaired. If this is the case, the Group recognises an impairment charge in the income statement for the difference between the recoverable amount of the associate and its carrying value.

The results of associates with financial reporting year-ends that are different from the Group are determined by prorating the results for the audited period as well as the period covered by management accounts to ensure that a year's result is accounted for where applicable.

2. Significant Accounting Policies (Continued)

(b) Basis of consolidation (continued)

Associates (continued)
Investments in associates are accounted for using the equity method of accounting (as described above), and are initially recognised at cost.

In the Group's stand-alone financial statements, investments in associates are accounted for at cost less impairment.

(c) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it earns revenues and incurs expenses and whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment. Operating segments are reported in a manner consistent with the internal reporting to the chief operating decision maker. The chief operating decision maker is the Group President and Chief Executive Officer.

(d) Foreign currency translation

Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Jamaican dollars, which is the Company's functional currency.

Transactions and balances
Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions. At the date of the statement of financial position, monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate.

Exchange differences resulting from the settlement of transactions at rates different from those at the dates of the transactions, and unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognised in the income statement.

Exchange differences on non-monetary financial assets are a component of the change in their fair value. Depending on the classification of a non-monetary financial asset, exchange differences are either recognised in the income statement (applicable for trading securities), or within other comprehensive income if non-monetary financial assets are classified as available-for-sale. In the case of changes in the fair value of monetary assets denominated in foreign currency classified as available-for-sale, a distinction is made between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in the income statement, and other changes in the carrying amount, except impairment, are recognised in other comprehensive income.

2. Significant Accounting Policies (Continued)

(d) Foreign currency translation (continued)

Transactions and balances (continued)

Group companies
The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement;
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income and accumulated as a separate component of equity.

(e) Revenue recognition

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering the contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

The Group accounts for interest income on loans in accordance with Jamaican banking regulations. These regulations stipulate that, where collection of interest is considered doubtful or where the loan is in non-performing status (payment of principal or interest is outstanding for 90 days or more), interest should be taken into account on the cash basis and all previously accrued but uncollected interest be reversed in the period that collection is doubtful or the loan becomes non-performing. IFRS require that when loans are impaired, they are written down to their recoverable amounts and interest income is thereafter recognised by applying the original effective interest rate to the recoverable amount. The difference between the regulatory and IFRS bases of interest recognition was assessed to be immaterial.

Fee and commission income
Fee and commission income is generally recognised on an accrual basis when the service has been provided. Fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction.

2. Significant Accounting Policies (Continued)

(e) Revenue recognition (continued)

Premium income
Premium income is recognised on the accrual basis in accordance with the terms of the underlying contracts as outlined in Note 2(t).

Dividend income
Dividend income is recognised when the right to receive payment is established.

(f) Income taxes

Taxation expense in the income statement comprises current and deferred income tax charges.

Current income tax charges are based on taxable profits for the year, which differ from the profit before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The Group’s liability for current tax is calculated at tax rates that have been enacted or substantively enacted at the date of the statement of financial position.

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

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

(g) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including cash and balances at Central Banks (excluding statutory reserves), due from banks, investment securities, reverse repurchase agreements and due to banks.

2. Significant Accounting Policies (Continued)

(h) Derivative financial instruments

Derivatives are financial instruments that derive their value from the price of underlying items such as equities, bonds, interest rates, foreign exchange, credit spreads, commodities or other indices. Derivatives enable users to increase, reduce or alter exposure to credit or market risk. The Group transacts derivatives to manage its own exposure to interest rate and foreign exchange risk.

Derivative instruments are initially recognised at fair value on the date a derivative contract is entered into, and subsequently are re-measured at their fair value at the date of each statement of financial position. Fair values are obtained from quoted market prices and discounted cash flow models as appropriate. Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Assets and liabilities are set off where the contracts are with the same counterparty, a legal right of set off exists and the cash flows are intended to be settled on a net basis.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at fair value through profit or loss.

Gains and losses from changes in the fair value of derivatives are included in the income statement.

(i) Repurchase and reverse repurchase transactions

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

2. Significant Accounting Policies (Continued)

(j) Loans and advances and provisions for credit losses

Loans and advances are recognised when cash is advanced to borrowers. They are initially recorded at fair value and subsequently measured at amortised cost using the effective interest rate method.

Provision for credit losses determined under the requirements of IFRS

The Group continuously monitors loans or groups of loans for indicators of impairment. In the event that indicators are present, the loans or groups of loans are tested for impairment. A provision for credit losses is established if there is objective evidence of impairment. A loan or group of loans is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan (a 'loss event') and that loss event has reduced the estimated future cash flows of the loan and the amount of the reduction can be reliably estimated. The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

(i) significant financial difficulty of the obligor;
(ii) default or delinquency in interest or principal payments;
(iii) having to grant the borrower a concession that would not otherwise be considered due to the borrower's financial difficulty;
(iv) the probability that the borrower will enter bankruptcy or other financial reorganisation; or
(v) observable data indicating that there is a measurable decrease in the estimated future cash flows from the loan portfolio since the initial recognition of the loans, although the decrease cannot yet be identified with the individual loan in the portfolio, including:
    a) adverse changes in the payment status of borrowers in the portfolio; and
    b) national or local economic conditions that correlate with defaults on the loan portfolio.

The Group first assesses whether objective evidence of impairment exists individually for loans that are individually significant, and individually or collectively for loans that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed loan, whether significant or not, it includes the loan in a group of loans with similar credit risk characteristics and collectively assesses them for impairment. Loans that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the carrying amount of the loan and the present value of estimated future cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loan. For accounting purposes, the carrying amount of the loan is reduced through the use of a provision for credit losses account and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

For the purpose of a collective evaluation of impairment, loans are grouped on the basis of similar credit risk characteristics (that is, on the basis of the Group's grading process that considers loan type, industry, collateral type and past-due status). Those characteristics are relevant to the estimation of future cash flows for groups of such loans by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the loans being evaluated.

2. Significant Accounting Policies (Continued)

(j) Loans and advances and provisions for credit losses (continued)

Provision for credit losses determined under the requirements of IFRS (continued)

Future cash flows in a group of loans that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the loans in the group. Losses over the preceding 12 months are used as a baseline to determine historical loss experience for loans with credit risk characteristics similar to those in the group. This historical loss experience is then adjusted, if necessary, to reflect broader economic trends over the most recent 24-month period with a 36-month look back period used on the highest risk portfolios. Finally, applicable adjustments are made on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of loans should reflect and be directionally consistent with changes in related observable data and our assessment of changes in the economy from period to period (for example, changes in unemployment levels, property and motor vehicle prices, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

When a loan is deemed uncollectible, it is written off against the related provision for credit losses. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the provision for credit losses. The amount of the reversal is recognised in the income statement.

Provision for credit losses determined under the Bank of Jamaica regulatory requirements

The effect of the provision for credit losses determined under the Bank of Jamaica regulatory requirements is to reserve capital. No amounts are booked to the income statement in respect of regulatory provisions. Provisions calculated based on regulatory requirements that exceed the amounts required under IFRS are transferred from retained earnings to a non-distributable loan loss reserve in stockholders' equity.

The provision for credit losses determined under the Bank of Jamaica regulatory requirements comprises a "specific provision" and a "general provision". The specific is determined based on each specific loan for which problems have been identified. The general provision is considered to be prudential in nature and is established to absorb portfolio losses.

2. Significant Accounting Policies (Continued)

(j) Loans and advances and provisions for credit losses (continued)

Provision for credit losses determined under the Bank of Jamaica regulatory requirements (continued)

The specific provision is established for the estimated net loss for all non-performing loans and performing loans that meet specified criteria. Loans are considered to be non-performing where a principal or interest payment is contractually 90 days or more in arrears. At the time of classification as non-performing, any interest that is contractually due but in arrears is reversed from the income statement and interest is thereafter recognised in the income statement on the cash basis only. The estimated net loss is defined as the net exposure remaining after deducting the estimated net realisable value of the collateral (as defined by and determined by the regulations) from the outstanding principal balance of the loan. The regulations quantify the specific provision at ranges from 20% to 100% of the estimated net loss of each non-performing loan depending on the length of time the loan has been in arrears. In addition, where a non-performing loan is fully secured but the collateral is unrealised for a period of 12 months, a provision of 50% of the amounts outstanding should be made. Where the collateral is unrealised for a further 6 months (with limited exceptions which allow for up to a further 15 months) a full provision is made. The regulations further require that the specific provision for each loan should not be less than 1% of the amounts outstanding.

A general provision is established for all loans (other than loans for which specific provisions were established) at 1% of the amounts outstanding.

(k) Investment securities

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

Investment securities are classified into the following categories: investment securities at fair value through profit or loss (FVPL), available-for-sale securities (AFS) and loans and receivables (LAR). Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Investment securities at fair value through profit or loss are those which were either acquired for generating a profit from short-term fluctuations in price or dealer’s margin, or are securities included in a portfolio in which a pattern of short-term profit-taking exists or those financial assets that the entity upon initial recognition, designates as FVPL. They are initially recognised at fair value and transaction costs are expensed in the income statement. They are subsequently carried at fair value. Interest income on investment securities at FVPL is recognised as part of interest income in theincome statement. All other realised and unrealised gains and losses are included in gain on foreign currency and investment activities in the income statement.

Available-for-sale securities are those intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity, changes in interest rates, foreign exchange rates or market prices. They are initially recognised at fair value (including transaction costs), and subsequently remeasured at fair value. Unrealised gains and losses arising from changes in fair value of AFS securities are recognised in other comprehensive income. When the securities are disposed of or impaired, the related accumulated unrealised gains or losses included in other comprehensive income are transferred to the income statement.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than: (i) those financial assets that the Group intends to sell immediately or in the short term, which are classified as FVPL, or (ii) those financial assets that the entity upon initial recognition, designates as at FVPL or has designated as AFS. Loans and receivables are initially measured at fair value which is the consideration to originate the loan and are subsequently carried at amortised cost using the effective interest method.

2. Significant Accounting Policies (Continued)

(k) Investment securities (continued)

The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset, the Group establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

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

In the case of equity securities classified as AFS, a significant or prolonged decline in the fair value below cost is considered an indicator of impairment. Significant or prolonged are assessed based on market conditions and other indicators. If any such evidence exists for AFS financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment losses previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

Investment securities are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (if substantially all the risks and rewards have not been transferred, the Group tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition).

(l) Investment property

Investment property is held for long-term rental yields and is, therefore, treated as a long-term investment. The property is not occupied by the Group.

Investment property is measured initially at cost, including transaction costs, and is subsequently carried at fair value, representing open market value determined annually by the directors or by independent valuators. Changes in fair values are recorded in the income statement.

2. Significant Accounting Policies (Continued)

(m) Intangible assets

Computer software

Costs that are directly associated with acquiring and developing identifiable and unique software products are recognised as intangible assets. These costs are amortised using the straight-line method over their useful lives, not exceeding a period of five years. Costs associated with maintaining computer software programs are recognised as an expense as incurred.

Customer relationships and trade name

These assets are associated with the acquisition of a subsidiary and are measured at fair value as at the date of acquisition. These assets are amortised using the straight line method over their useful lives, not exceeding a period of twenty years.

(n) Property, plant and equipment

Land and buildings are shown at deemed cost less impairment losses, and less subsequent depreciation for buildings. All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses.

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

Land is not depreciated. Depreciation on other assets is calculated on the straight-line basis at annual rates that will write off the carrying value of each asset over the period of its expected useful life. Annual depreciation rates or periods over which depreciation is charged are as follows:

Freehold buildings	2%
Leasehold improvements	Period of lease
Computer equipment	20 - 33 1/3%
Office equipment and furniture	20%
Other equipment	5 - 7%
Motor vehicles	20 - 25%
Leased assets	Shorter of period of lease or useful life of asset

Gains or losses on disposals are determined by comparing proceeds with carrying amount. These are included in other operating income in the income statement.

(o) Impairment of long lived assets

Property, plant and equipment and intangibles are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

2. Significant Accounting Policies (Continued)

(p) Financial liabilities

The Group's financial liabilities comprise primarily amounts due to banks, customer deposits, repurchase agreements, obligations under securitisation arrangements, other borrowed funds liabilities under annuity and insurance contracts, liabilities under letters of credit and undertaking and other liabilities.

The recognition and measurement of liabilities under annuity and insurance contracts is detailed in Note 2(t); other financial liabilities are measured at amortised cost.

Offsetting financial instruments

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

(q) Borrowings

Borrowings, including those arising under securitisation arrangements, are recognised initially at fair value, being their issue proceeds, net of transaction costs incurred. Subsequently, borrowings are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective yield method.

(r) Structured products

Structured products are recognised initially at the nominal amount when funds are received. Derivatives are separately accounted for at fair value through the income statement (Note 18). The non-derivative elements are stated at amortised cost using the effective interest method.

(s) Leases

As lessee

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of minimum lease payments. Each lease payment is allocated between the liability and interest charges so as to produce a constant rate of charge on the lease obligation. The interest element of the lease payments is charged in the income statement over the lease period.

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

As lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease in a manner which reflects a constant periodic rate of return on the net investment in the lease.

2. Significant Accounting Policies (Continued)

(t) Insurance and investment contracts – classification, recognition and measurement

Classification

The Group issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

Recognition and measurement

Insurance contracts are classified into four main categories, depending on the duration of risk and whether or not the terms and conditions are fixed.

Short duration insurance contracts

These contracts are principally property, motor, casualty (employers' liability, public liability), and group life insurance contracts.

Property insurance contracts indemnify the Group's customers in the event of a loss from a specified insured peril such as fire, windstorm or earthquake (not limited to these perils) up to the insured amount and within the terms of the policy conditions. These contracts are issued for both private and commercial risks. Customers who undertake commercial activities on their premises could also receive compensation for consequential loss/business interruption caused by the insured perils.

Motor insurance contracts indemnify the Group's customers for their legal requirement under the Road Traffic Act. These contracts may be extended for additional coverage such as physical damage, theft and personal accident.

Casualty insurance contracts provide coverage for liability exposures that indemnify the Group's customers against actions from third parties which are subject to the policy limits and conditions. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers' liability) and employers who become liable to pay compensation to third parties for bodily harm or property damage (public liability).

Group life contracts protect the Group's customers from the consequences of events (such as death or critical illness) that would affect the ability of the customer or his/her dependants to maintain his/her current level of income.

For all these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premiums received on inforce contracts that relate to unexpired risks at the date of the statement of financial position is reported as an unearned premium liability. Premiums are shown before deduction of commissions payable to agents and brokers and exclude any taxes or duties levied on such premiums. Premium income includes premiums collected by agents and brokers not yet received by the Group.

Unearned premiums represent the portion of premiums written in the current year which relate to periods of insurance subsequent to the date of the statement of financial position calculated principally using the twenty-fourths method.

2. Significant Accounting Policies (Continued)

(t) Insurance and investment contracts – classification, recognition and measurement (continued)
Recognition and measurement (continued)
Short duration insurance contracts (continued)
Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders. They arise from events that have occurred up to the date of the statement of financial position even if they have not yet been reported to the Group. The Group does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using techniques such as the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported (IBNR), and to estimate the expected ultimate cost of more complex claims that may be affected by external factors such as court decisions. Estimates are continually revised as more information becomes available and for the effects of anticipated inflation. Adjustments arising from these revisions are recognised within claims expense in the current year.

Long duration insurance contracts
The accounting treatment of long duration contracts differs according to whether the contract bears investment options or not.

For long duration contracts that do not bear investment options, premiums are recognised as revenue when they become payable by the policyholder. Premiums are shown before deduction of commission. Benefits are recorded as an expense when incurred.

A liability for policyholders' benefits that is expected to be incurred in the future is recorded when the premiums are recognised. Typically, the liability is determined as the sum of the expected discounted value of the benefit payments less the expected discounted value of the theoretical premiums that would be required to meet the benefits based on the valuation assumptions used (the valuation premiums). In particular, the liability is based on assumptions as to mortality and investment income. A margin for adverse deviations is included in the assumptions.

For long duration contracts that bear investment options, insurance premiums are recognised directly as liabilities. These liabilities are increased by credited interest and are decreased by policy administration fees, mortality and surrender charges and any withdrawals. Revenue consists of fees deducted for policy administration, mortality and surrenders and interest credited is treated as an expense.

Long duration insurance contract liabilities are calculated by independent actuaries at each statement of financial position date using the Policy Premium Method. The change in these liabilities are recognised in the income statement.

Outstanding claims
Provision for outstanding claims and the related costs of settlement are based on incidents reported before the end of the financial year and include appropriate provisions for claims incurred but not yet reported. Estimates are continually revised as more information becomes available and for the effects of anticipated inflation. Adjustments arising on these revisions are included with claims expense in the current year. Benefits and claims payable represent the gross cost of all claims notified but not settled on the date of the statement of financial position. Any reinsurance recoverable is shown separately as a receivable.

Policyholders' benefits
Maturities and annuities are accounted for when due. Death and disability claims and surrenders are recognised in the financial statements in the year in which they have been notified. Differences between the estimated claims and subsequent settlements are recognised in the income statement in year of settlement.

2. Significant Accounting Policies (Continued)

(t) Insurance and investment contracts – classification, recognition and measurement (continued)

Liability adequacy test

At the date of the statement of financial position, the Group assesses whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate, the deficiency is recognised in the income statement and the amount of the relevant insurance liabilities is increased.

Reinsurance contracts held

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The Group periodically assesses its reinsurance assets for impairment. If there is objective evidence that a reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement.

Receivables and payables related to insurance contracts and investment contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders. If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement.

(u) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

2. Significant Accounting Policies (Continued)

(v) Post-employment benefits

Pension benefits

The Group and its subsidiaries operate a number of retirement plans, the assets of which are generally held in separate trustee administered funds. The pension plans are funded by payments from employees and by the relevant companies, taking into account the recommendations of independent qualified actuaries. The Group has both defined benefit and defined contribution plans.

Defined benefit pension plans

A defined benefit pension plan is a plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

The amount recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates on Government of Jamaica bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension obligation.

The current service cost of the defined benefit plan, included in staff costs in the income statement, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. The cost is included in staff costs in the income statement.

Past-service costs are recognised immediately in expenses.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Defined contribution pension plans

A defined contribution pension plan is a plan under which the Group pays fixed contributions into a separate fund. The Group has no legal or constructive obligations to pay further contributions. The contributions are charged to the income statement in the period to which they relate.

Other post-employment benefit obligations

The Group provides post-employment health care benefits to its retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

2. Significant Accounting Policies (Continued)

(v) Post-employment benefits (continued)

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after statement of financial position date are discounted to present value.

(w) Acceptances, guarantees, indemnities, letters of credit and undertakings

Acceptances, guarantees, indemnities and letters of credit and undertakings are various forms of contractual commitments to advance funds to or on behalf of customers and include:

(i) Obligations on the part of the Group to make payments (directly or indirectly) to a designated third party contingent upon a default by the Group's customer in the performance of an obligation under the terms of that customer's contract with the third party; and
(ii) Obligations to guarantee or stand as surety for the benefit of a third party.

Where the Bank's obligations under acceptances, guarantees, indemnities and letters of credit and undertakings are not considered to be contingent, the amounts are reported as a liability in the statement of financial position. There are equal and offsetting claims against customers in the event of a call on these commitments, which are reported as an asset.

Where the Bank's obligations are considered to be contingent, the amounts are disclosed in Note 49.

(x) Share capital

Share issue costs

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, for the proceeds.

Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are declared.

Treasury shares

Where the Employee Share Scheme purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of taxes) is deducted from equity attributable to the Bank's stockholders until the shares are cancelled, reissued or disposed of. Where the shares are subsequently sold or reissued, any consideration received, net of directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Bank's stockholders.

(y) Fiduciary activities

The Group acts as trustee and in other fiduciary capacities that result in holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other third parties. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

3. Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group's financial statements and its financial results are influenced by accounting policies, assumptions, estimates and management judgment, which necessarily have to be made in the course of preparation of the financial statements.

The Group makes estimates and assumptions that may affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard.

Estimates and judgments are continuously evaluated and are based on past experience and other factors, including expectations with regard to future events. Accounting policies and management's judgments for certain items are especially critical for the Group's results and financial position due to their materiality.

Accounting for the Scheme of Arrangement
As explained in notes 1, and 2(a), the Group has exercised judgement in deteremining that the Scheme of Arrangements which was executed during the current year should be accounted for as a re-organisation, as described in the referenced notes. Management's conclusion was based on the fact that before and after the transaction, there was no change in ultimate control with repect to the entities which were part of the re-orgainsation. Consequently, there was no additional value created with respect to the pre-existing assets and liabilities which should have been reflected in the financial statements.

Income taxes
There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for actual and anticipated tax audit issues based on estimates of whether additional taxes will be due. In determining these estimates, management considers the merit of any tax audit issues raised, based on their interpretation of the taxation laws, and their knowledge of any precedents established by the taxation authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences could materially impact the current tax and deferred tax provisions in the period in which such determination is made.

Impairment losses on loans and advances
The Group reviews its loan portfolio to assess impairment at least on a monthly basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from loans. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Fair value of nvestment securities
Management uses its judgement in selecting appropriate valuation techniques to determine fair value of investment securities. These techniques are described in Note 45.

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

Estimates of future benefit payments and premiums arising from long duration insurance contracts

The determination of the liabilities under insurance contracts represents the liability for future benefits payable by the Group based on contracts for the life assurance business in force at the date of the statement of financial position using the Policy Premium Method. These liabilities represent the amount which, together with future premiums and investment returns will, in the opinion of the actuary, be sufficient to pay future benefits relating to contracts of insurance in force, as well as meet the expenses incurred in connection with such contracts. The Policy Premium Method of valuation is based on assumptions of mortality, persistency, investment income, renewal expenses and other assumptions considered appropriate to be included in the basis for the determination of the liabilities of the Group under the terms of its life insurance policy contracts in force. A margin for risk or uncertainty (adverse deviations) in these assumptions is added to the liability. The assumptions are examined each year in order to determine their validity in light of current best estimates or to reflect emerging trends in the Group's experience.

The ultimate liability arising from claims made under insurance contracts

For the property and casualty insurance business, outstanding claims comprise estimates of the amount of reported losses and loss expenses and a provision for losses incurred but not reported (IBNR) based on the historical experience of the Group and industry data. These claims are analysed separately between those arising from damage to insured property and consequential losses. Claims arising from damage to insured property can be estimated with greater reliability, and the Group's estimation processes reflect all the factors that influence the amount and timing of cash flows from these contracts. The shorter settlement period for these claims allow the Group to achieve a higher degree of certainty about the estimated cost of claims, and relatively little IBNR is held at year-end. However, the longer time needed to assess the emergence of claims arising from consequential losses makes the estimation process more uncertain for these claims. Significant delays may occur in the notification of claims and a substantial measure of experience and judgement is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty as at the reporting date. The reserve for claims outstanding is determined on the basis of information currently available; however, it is inherent in the nature of the business written that the ultimate liabilities may vary as a result of subsequent developments.

Future obligations for post-employment benefits

The cost of these benefits and the present value of the future obligations depend on a number of factors that are determined by actuaries using a number of assumptions. The assumptions used in determining the net periodic cost or income for retirement benefits include the expected long-term rate of return on the relevant plan assets, the discount rate and, in the case of health benefits, the expected rate of increase in health costs. Any changes in these assumptions will impact the net periodic cost or income recorded for retirement benefits and may affect planned funding of the pension plan. The expected return on plan assets assumption is determined on a uniform basis, considering long-term historical returns, asset allocation and future estimates of long-term investment returns. The Group determines the appropriate discount rate at the end of each year, which represents the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement benefit obligations. In determining the appropriate discount rate, the Group considered interest rate on government bonds that are denominated in the currency in which the benefits will be paid, and have terms to maturity approximating the terms of the related obligations. The expected rate of increase of health costs has been determined by comparing the historical relationship of the actual health cost increases with the rate of inflation. Other key assumptions for the retirement benefits are based on current market conditions.

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

Interests in structured entities

Unit Trust Scheme
The Group manages a Unit Trust Scheme comprising seven portfolios – the JMD Money Market Portfolio, the JMD High Yield Portfolio, the Caribbean Equity Portfolio, the USD Money Market Portfolio, the USD Indexed Bond Portfolio and the USD Bond Portfolio. The Unit Trust has an independent trustee. The Group is the investment manager of the Unit Trust. Determining whether the Group controls the Unit Trust requires judgement. This would include a consideration of the investors' rights to remove the investment manager and an assessment of the exposure to variability arising from the aggregate economic interests of the Group in the Trust.

The Group as investment manager earns income from preliminary charges ranging from 0-4% and management fees ranging from 1.5-1.75% on these Unit Trust portfolios and the Group owns 0.40% (2016 - 0.58%) of the units in the Unit Trust at September 30, 2017.

In addition, pending the availability of investments consistent with the investment objective of each portfolio, a significant portion of the Unit Trust funds are invested in cash equivalent instruments issued by the Group. These are short-term fixed rate instruments with maturities of 90 days or less, collateralised by Government of Jamaica securities, that face an insignificant risk of changes in fair value. The interest margin earned by the Group on these instruments is immaterial to the results of its operations.

Management has concluded that, although the contractual terms provide the Group with power over the Unit Trust, the Group is acting as an agent for the investors in the Unit Trust as management does not consider the Group's aggregate interest in the Unit Trust to be significant. Management does not believe that the investment of Unit Trust funds in cash equivalent instruments issued by the Group changes this conclusion as (i) this investment is intended to be temporary and not representative of the Unit Trust's purpose or investment objective (ii) the investment is in cash equivalent instruments subject to an insignificant risk of changes in fair value that bear interest at market rates and (iii) the investment does not expose the Group to any additional variability of returns from the Unit Trust beyond its insignificant aggregate interest through fees and unit holdings. The Unit Trust has therefore not been consolidated.

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

Investments in Associated Companies

In accounting for the shares in Guardian Holdings Limited, the Group has identified and ascribed certain values to intangible assets, as required by IFRS 3 and IAS 28, as part of the purchase price allocation. The values for those intangibles assets have been determined using established valuation techniques.

For its investments in associated companies which are listed on local or regional stock exchanges, with carrying values determined using the equity method which exceed market capitalisation, management has made determinations as to whether there are impairment indicators, which would require a formal impairment assessment. In determining whether there are impairment indicators, management has determined whether there has been a significant or prolonged decline below purchase price for the investments, and whether or not there are performance indicators which imply impairment. Where no such indicators, exist, management has concluded that there is no impairment and has not adjusted the carrying value.

Where such indicators exist, management has carried out formal impairment assessments, which seek to establish a model based valuation for the holdings. In applying those valuation techniques, management makes assumptions regarding cash flows, growth rates for those cash flows, certain earnings ratios, discount factors and terminal growth rates. The values arrived are sensitive to changes in those assumptions.

Based on the foregoing assessments and activities, management has determined that none of the Group's investments in associated companies is impaired.

4. Responsibilities of the Appointed Actuaries and External Auditors

The Boards of Directors of the insurance subsidiaries, pursuant to the Insurance Act, appoint the Actuaries. Their responsibility is to carry out an annual valuation of the Group's policyholders' liabilities in accordance with accepted actuarial practice and regulatory requirements and report thereon to the policyholders and shareholders. In performing the valuations for life insurance policies and annuities, the Actuaries make assumptions as to the future rates of interest, asset defaults, mortality, morbidity, claims experience, policy termination, inflation, reinsurance recoveries, expenses and other contingencies, taking into consideration the circumstances of the Group and the insurance policies in force.

The shareholders pursuant to the Companies Act appoint the external auditors. Their responsibility is to conduct an independent and objective audit of the financial statements in accordance with International Standards on Auditing and report thereon to the shareholders. In carrying out their audit, the auditors also make use of the work of the Appointed Actuaries and their report on the policyholders' liabilities.

5. Segment Reporting

The Group is organised into the following business segments:

(a) Retail & SME – This incorporates the provision of banking services to individual and small and medium business clients and money remittance services.

(b) Payment services – This incorporates the provision of card related services.

(c) Corporate banking – This incorporates the provision of banking services to large corporate clients.

(d) Treasury & correspondent banking – This incorporates the Bank's liquidity and investment management function, management of correspondent bank relationships, and relationships with other financial institutions as well as foreign currency dealing activities.

(e) Wealth, asset management & investment banking – This incorporates stock brokerage, securities trading, investment management and other financial services provided by subsidiaries.

(f) Life insurance & pension fund management – This incorporates life insurance, pension and investment management services.

(g) General insurance – This incorporates property and casualty insurance services.

(h) The Group's insurance brokerage services, trustee services and registrar and transfer agent services are classified as Other for segment reporting.

The Group's operations are located mainly in Jamaica. The operations of subsidiaries located overseas account for less than 10% of the Group's external operating revenue, assets and capital expenditure.

Unallocated assets and liabilities
Unallocated assets and liabilities comprise current income tax payable and recoverable, deferred income tax assets and liabilities and assets and liabilities of support units of the Bank that are not allocated to the banking segments.

Direct allocated costs and unallocated corporate expenses
Costs incurred by the support units of the Group are allocated to the business segments based on certain criteria determined by management. These criteria include staff complement, square footage and time spent providing the service to the business segment. The expenses that are allocated are mainly staff costs, depreciation and amortisation and other operating expenses and are treated as direct allocated costs.

Costs allocated to the banking segments are reported directly by those segments to the President & Group Chief Executive Officer and Board of Directors. Costs allocated to the non-banking segments are not included in the individual internal reports presented by those segments and are treated as unallocated corporate expenses.

Eliminations
Eliminations comprise inter-company and inter-segment transactions.

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5. Segment Reporting (Continued)

Year ended September 30, 2017	Consumer and SME									
	Retail & SME	Payment Services	Corporate Banking	Treasury & Correspondent Banking	Wealth, Asset Management & Investment Banking	Life Insurance & Pension Fund Management	General Insurance	Other	Eliminations	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
External revenue	18,835,872	11,686,395	7,574,970	12,400,065	11,109,883	8,386,630	5,612,097	65,906	-	75,671,818
Revenue from other segments	1,993,143	-	58,722	5,836,982	1,409,798	136,595	255,486	424,153	(10,114,879)	-
Total revenue	20,829,015	11,686,395	7,633,692	18,237,047	12,519,681	8,523,225	5,867,583	490,059	(10,114,879)	75,671,818
Interest income	16,064,079	4,233,546	6,056,483	13,228,335	7,916,779	3,190,990	717,601	18,315	(8,589,122)	42,837,006
Interest expense	(1,871,148)	(1,373,526)	(2,792,518)	(8,751,796)	(4,136,024)	(910,592)	-	(1,167)	6,781,156	(13,055,615)
Net interest income	14,192,931	2,860,020	3,263,965	4,476,539	3,780,755	2,280,398	717,601	17,148	(1,807,966)	29,781,391
Net fee and commission income	4,231,664	4,274,447	1,499,332	492,441	1,244,614	1,837,636	167,140	6,531	(67,018)	13,686,787
Gain on foreign currency and investment activities	180,509	27,042	58,037	4,292,183	2,754,334	216,670	197,043	246,353	(261,112)	7,711,059
Premium income	-	-	-	-	-	3,170,073	4,688,679	-	(285,153)	7,573,599
Other operating income and dividend income	228,831	1,470	972	208,997	603,955	107,857	97,120	423,785	(1,173,019)	499,968
Total operating income	18,833,935	7,162,979	4,822,306	9,470,160	8,383,658	7,612,634	5,867,583	693,817	(3,594,268))	59,252,804
Staff costs	6,668,573	723,439	216,169	155,182	1,068,915	876,909	844,055	75,581	(3,874)	10,624,949
Provision for credit losses	705,502	31,331	(3,035)	2,693	(7,226)	-	-	-	-	729,265
Policyholders' and annuitants' benefits and reserves	-	-	-	-	-	1,461,083	2,726,404	-	(7,460)	4,180,027
Depreciation and amortisation	330,003	443,362	6,839	16,827	104,354	93,527	75,567	-	71,643	1,142,122
Other operating expenses	2,861,692	2,341,893	469,662	1,005,941	1,250,181	647,872	860,392	14,075	(1,292,546)	8,159,162
Total operating expenses	10,565,770	3,540,025	689,635	1,180,643	2,416,224	3,079,391	4,506,418	89,656	(1,232,237)	24,835,525
Operating profit before allocated costs	8,268,165	3,622,954	4,132,671	8,289,517	5,967,434	4,533,243	1,361,165	604,161	(2,362,031)	34,417,279
Allocated costs	(5,583,037)	(1,352,467)	(748,570)	(348,411)	-	-	-	-	-	(8,032,485)
Operating profit c/fwd	2,685,128	2,270,487	3,384,101	7,941,106	5,967,434	4,533,243	1,361,165	604,161	(2,362,031)	26,384,794

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5. Segment Reporting (Continued)

Year ended September 30, 2017	Consumer and SME									
	Retail & SME	Payment Services	Corporate Banking	Treasury & Corresponde nt Banking	Wealth, Asset Management & Investment Banking	Life Insurance & Pension Fund Management	General Insurance	Other	Eliminations	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Operating profit b/fwd	2,685,128	2,270,487	3,384,101	7,941,106	5,967,434	4,533,243	1,361,165	604,161	(2,362,031)	26,384,794
Unallocated corporate expenses										(5,226,166)
Share of profit of associates										2,850,700
Profit before Taxation										24,009,328
Taxation										(4,901,510)
Net Profit										19,107,818
Segment assets	252,892,296	24,056,040	80,248,041	230,355,157	189,795,827	46,529,802	14,371,254	1,382,361	(187,130,240)	652,500,538
Associates										37,186,185
Unallocated assets										4,037,468
Total assets										693,724,191
Segment liabilities	221,234,822	12,311,689	54,379,184	239,968,452	157,380,417	30,992,399	8,017,323	72,753,251	(221,473,347)	575,564,190
Unallocated liabilities										2,166,232
Total liabilities										577,730,422
Capital expenditure	2,933,124	973,881	212,808	113,441	821,514	398,447	318,195	74,851	-	5,846,261

NCB Financial Group Limited
Notes to the Financial Statements
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5. Segment Reporting (Continued)

Year ended September 30, 2017	Total per segment report $'000	Allocated expenses $'000	Unallocated corporate expenses $'000	Total per income statement $'000
Reconciliation to income statement				
Interest income	42,837,006	160	47	42,837,213
Interest expense	(13,055,615)	(16,920)	(5,009)	(13,077,544)
Net fee and commission income	13,686,787	157,667	46,613	13,891,067
Gain on foreign currency and investment activities	7,711,059	11,575	3,426	7,726,060
Premium income	7,573,599	-	-	7,573,599
Other operating income and dividend income	499,968	18,693	5,532	524,193
Staff costs	(10,624,949)	(4,503,219)	(1,332,990)	(16,461,158)
Provision for credit losses	(729,265)	23	8	(729,234)
Policyholders' and annuitants' benefits and reserves	(4,180,027)	-	-	(4,180,027)
Depreciation and amortisation	(1,142,122)	(939,155)	(277,997)	(2,359,274)
Other operating expenses	(8,159,162)	(2,761,309)	(3,665,796)	(14,586,267)
Operating profit	34,417,279	(8,032,644)	(5,226,007)	21,158,628

NCB Financial Group Limited
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5. Segment Reporting (Continued)

Year ended September 30, 2016	Consumer and SME									
	Retail & SME	Payment Services	Corporate Banking	Treasury & Correspondent Banking	Wealth, Asset Management & Investment Banking	Life Insurance & Pension Fund Management	General Insurance	Other	Eliminations	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
External revenue	14,925,163	9,929,023	6,270,125	10,006,538	10,576,564	7,764,142	5,656,319	108,428	-	65,236,302
Revenue from other segments	3,528,610	-	35,503	4,575,822	681,768	106,125	199,898	58,050	(9,185,776)	-
Total revenue	18,453,773	9,929,023	6,305,628	14,582,360	11,258,332	7,870,267	5,856,217	166,478	(9,185,776)	65,236,302
Interest income	14,464,834	3,602,442	5,315,981	11,531,826	7,515,905	3,054,322	729,906	19,616	(7,078,666)	39,156,166
Interest expense	(1,593,452)	(1,150,273)	(2,781,003)	(7,369,888)	(3,674,533)	(901,311)	-	(1,202)	6,460,029	(11,011,633)
Net interest income	12,871,382	2,452,169	2,534,978	4,161,938	3,841,372	2,153,011	729,906	18,414	(618,637)	28,144,533
Net fee and commission income	3,681,685	3,645,991	929,209	403,456	877,439	1,259,483	148,330	12,331	(85,166)	10,872,758
Gain on foreign currency and investment activities	190,633	21,989	49,274	2,447,138	2,186,958	382,585	299,733	75,232	(924,348)	4,729,194
Premium income	-	-	-	-	-	3,116,919	4,614,742	-	(250,971)	7,480,690
Other operating income and dividend income	41,491	2,862	754	194,320	638,807	56,959	63,507	59,300	(851,279)	206,721
Total operating income	16,785,191	6,123,011	3,514,215	7,206,852	7,544,576	6,968,957	5,856,218	165,277	(2,730,401)	51,433,896
Staff costs	5,763,194	544,362	259,245	168,738	1,001,611	759,347	954,221	69,032	(78,885)	9,440,865
Provision for credit losses	714,575	286,866	(412,381)	1,706	21,316	-	-	-	-	612,082
Policyholders' and annuitants' benefits and reserves	-	-	-	-	-	1,050,732	2,734,239	-	(9,718)	3,775,253
Depreciation and amortisation	267,669	285,228	6,972	47,109	63,556	58,207	73,838	208	71,644	874,431
Other operating expenses	2,725,708	2,162,463	525,814	808,506	1,262,449	756,718	742,139	6,904	(406,177)	8,584,524
Total operating expenses	9,471,146	3,278,919	379,650	1,026,059	2,348,932	2,625,004	4,504,437	76,144	(423,136)	23,287,155
Operating profit before allocated costs	7,314,045	2,844,092	3,134,565	6,180,793	5,195,644	4,343,953	1,351,781	89,133	(2,307,265)	28,146,741
Allocated costs	(5,084,644)	(1,229,446)	(668,084)	(326,881)	-	-	-	-	-	(7,309,055)
Operating profit c/fwd	2,229,401	1,614,646	2,466,481	5,853,912	5,195,644	4,343,953	1,351,781	89,133	(2,307,265)	20,837,686

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5. Segment Reporting (Continued)

Year ended September 30, 2016	Consumer and SME		Corporate Banking	Treasury & Correspondent Banking	Wealth, Asset Management & Investment Banking	Life Insurance & Pension Fund Management	General Insurance	Other	Eliminations	Total
	Retail & SME	Payment Services								
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Operating profit b/fwd	2,229,401	1,614,646	2,466,481	5,853,912	5,195,644	4,343,953	1,351,781	89,133	(2,307,265)	20,837,686
Unallocated corporate expenses										(2,741,614)
Share of profit of associates										832,480
Profit before Taxation										18,928,552
Taxation										(4,479,992)
Net Profit										14,448,560
Segment assets	219,755,477	18,213,178	79,609,290	214,267,834	156,846,325	42,101,382	14,036,822	1,129,946	(174,951,614)	571,008,640
Associates										34,787,067
Unallocated assets										1,873,726
Total assets										607,669,433
Segment liabilities	195,276,692	10,693,171	63,102,788	204,533,001	128,838,244	28,229,974	8,478,399	791,186	(138,229,118)	501,714,337
Unallocated liabilities										2,849,786
Total liabilities										504,564,123
Capital expenditure	1,256,881	746,813	117,962	42,858	415,091	204,485	102,500	18,490	-	2,905,080

NCB Financial Group Limited
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5. Segment Reporting (Continued)

Year ended September 30, 2016	Total per segment report $'000	Allocated expenses $'000	Unallocated corporate expenses $'000	Total per income statement $'000
Reconciliation to income statement				
Interest income	39,156,166	131	52	39,156,349
Interest expense	(11,011,633)	(15,071)	(5,875)	(11,032,579)
Net fee and commission income	10,872,758	49,467	19,286	10,941,511
Gain on foreign currency and investment activities	4,729,194	4,985	1,943	4,736,122
Premium income	7,480,690	-	-	7,480,690
Other operating income and dividend income	206,721	57,954	22,594	287,269
Staff costs	(9,440,865)	(3,142,865)	(1,225,293)	(13,809,023)
Provision for credit losses	(612,082)	(193)	(80)	(612,355)
Policyholders' and annuitants' benefits and reserves	(3,775,253)	-	-	(3,775,253)
Depreciation and amortisation	(874,431)	(737,469)	(287,514)	(1,899,414)
Other operating expenses	(8,584,524)	(3,525,994)	(1,266,727)	(13,377,245)
Operating profit	28,146,741	(7,309,055)	(2,741,614)	18,096,072

NCB Financial Group Limited

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6 Net Interest Income

	The Group		The Company
	2017	**2016**	**2017**
	$'000	**$'000**	**$'000**
Interest income			
Loans and advances	24,811,477	21,371,923	12,327
Investment securities –			
Available-for-sale and loans and receivables (including pledged assets)	17,559,605	17,610,458	-
At fair value through profit or loss	138,670	76,867	-
Reverse repurchase agreements	146,828	51,222	-
Deposits and other	180,633	45,879	370,540
	42,837,213	39,156,349	382,867
Interest expense			
Customer deposits	2,267,451	2,209,018	-
Repurchase agreements	3,756,207	3,765,072	-
Policyholders' benefits	907,932	894,754	-
Securitisation arrangements	4,312,097	3,069,176	-
Other borrowed funds and amounts due to banks	1,833,857	1,094,524	2,809,471
Other	-	35	-
	13,077,544	11,032,579	2,809,471
Net interest income	29,759,669	28,123,770	(2,426,604)

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7. Net Fee and Commission Income

	The Group		The Company
	2017	2016	2017
	$'000	$'000	$'000
Fee and commission income			
Retail and SME	4,328,367	3,674,187	-
Payment services	7,419,450	6,289,749	-
Corporate banking	1,515,148	933,785	-
Management Fees	-	-	3,864,750
Treasury and correspondent banking	505,090	362,303	-
Wealth, asset management & investment banking	1,189,438	877,439	-
Life insurance and pension fund management	1,837,636	1,259,483	-
General insurance	167,140	148,330	-
Other	48,484	30,596	-
	17,010,753	13,575,872	3,864,750
Fee and commission expense			
Payment services	3,119,686	2,634,361	-
	13,891,067	10,941,511	3,864,750

8. Gain on Foreign Currency and Investment Activities

	The Group		The Company
	2017	2016	2017
	$'000	$'000	$'000
Net foreign exchange gains/(losses)	2,807,457	2,097,424	(890,967)
Gain/(Loss) on sale of debt securities held for trading	3,579	(146)	-
Gain on sale of other debt securities	4,429,890	2,768,696	-
Fair value loss on embedded put option	(129,972)	(319,006)	-
Gain on sale of equity securities	514,895	146,154	-
Fair value gain on revaluation of investment property (Note 25)	100,211	43,000	-
	7,726,060	4,736,122	(890,967)

Net foreign exchange gains include gains and losses arising from translation of assets and liabilities denominated in foreign currencies as well as those arising from foreign currency dealing activities.

9. Premium Income

	The Group	
	2017	**2016**
	$'000	**$'000**
Annuity contracts	1,056,869	1,405,549
Life insurance contracts	2,113,204	1,660,297
General insurance contracts	4,403,526	4,414,844
	7,573,599	7,480,690

10. Dividend Income

	The Group		The Company
	2017	**2016**	**2017**
	$'000	**$'000**	**$'000**
Subsidiaries	-	-	4,369,900
Other equity securities	295,123	149,921	-
	295,123	149,921	4,369,900

11. Staff Costs

	The Group		The Company
	2017	**2016**	**2017**
	$'000	**$'000**	**$'000**
Wages, salaries, allowances and benefits	12,147,246	11,958,602	494,059
Payroll taxes	1,320,551	1,090,519	45,820
Pension costs – defined contribution plans (Note 35)	391,914	359,033	4,789
Pension costs – defined benefit plans (Note 35)	41,140	36,063	-
Staff profit share	2,044,602	-	-
Termination benefits	166,035	46,650	-
Other post-employment benefits (Note 35)	349,670	318,156	-
	16,461,158	13,809,023	544,668

Wages, salaries, allowances and benefits
Included in wages, salaries, allowances and benefits are base salaries for employees. Amounts also include annual incentive and merit awards based on performance, annual and non-annual lump-sum fringe benefits, including those that have been agreed based on collective bargaining with the trade unions representing staff.

Employees are categorised as permanent pensionable, contract, part-time and temporary.

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12. Policyholders' and Annuitants' Benefits and Reserves

	The Group	
	2017	2016
	$'000	$'000
Annuity contracts	1,902,714	2,035,949
Life insurance contracts	(441,630)	(985,218)
General insurance contracts	2,718,943	2,724,522
	4,180,027	3,775,253

The above amounts include insurance claims by policyholders amounting to $216,851,000 (2016 –$265,850,000) in respect of life insurance and annuity contracts and $2,987,072,000 (2016 – $2,972,367,000) in respect of general insurance contracts.

13. Other Operating Expenses

	The Group		The Company
	2017	2016	2017
	$'000	$'000	$'000
Auditors' remuneration	92,333	105,028	4,700
Credit card rebates	921,039	806,110	-
Insurance and premiums	330,293	248,592	-
Commission to insurance brokers	228,417	245,684	-
Irrecoverable general consumption tax and asset tax	2,743,047	2,617,187	200
License and transaction processing fees	1,406,632	1,410,608	5,480
Marketing, customer care, advertising and donations	1,455,304	1,539,246	-
Operating lease rentals	227,713	219,265	-
Property, vehicle and ABM maintenance and utilities	3,028,171	2,688,931	2,088
Receivership expenses	-	116,766	-
Stationery	184,940	149,459	-
Technical, consultancy and professional fees	1,637,141	1,363,696	849,005
Travelling, courier and telecommunication	927,198	978,956	-
Management and royalty fees	183,854	171,988	
Operational losses	330,392	464,744	
Other	889,793	250,985	217,865
	14,586,267	13,377,245	1,079,338

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14. Taxation

	The Group		The Company
	2017	**2016**	**2017**
	$'000	**$'000**	**$'000**
Current:			
Income tax	6,667,501	6,434,595	-
Prior year over provision	(4,809)	(211,432)	-
Deferred income tax (Note 28)	(1,761,182)	(1,743,171)	(269,207)
	4,901,510	4,479,992	(269,207)

The tax on profit differs from the theoretical amount that would arise using the basic statutory rate of 25% for the life insurance subsidiary, 33⅓% for the Company and other "regulated companies", 21% for the subsidiary incorporated in the United Kingdom and 25% for all other subsidiaries (with the exception of the subsidiaries incorporated in Cayman Islands and the NCB Employee Share Scheme which are not subject to income tax), as follows:

	The Group		The Company
	2017	**2016**	**2017**
	$'000	**$'000**	**$'000**
Profit before tax	24,009,328	18,928,552	3,293,073
Tax calculated at actual tax rates	8,069,530	5,926,338	1,097,691
Income not subject to tax or in respect of which tax has been remitted	(1,833,877)	(1,194,888)	-
Expenses not deductible for tax purposes	520,606	414,892	-
Effect of share of profit of associates included net of tax	(1,248,900)	(81,169)	-
Effect of change in tax rate applicable to life insurance subsidiary	-	33,698	-
Effect of different tax rates applicable to dividend income	(73,170)	(4,963)	(1,092,475)
Deferred tax not recognised	(35,280)	(405,574)	-
Prior year over provision	(4,809)	(211,432)	-
Other	(492,590)	3,090	(274,423)
Taxation expense	4,901,510	4,479,992	(269,207)

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14. Taxation (Continued)

Tax (charge)/credit relating to components of other comprehensive income is as follows:

	The Group		
At 30 September 2017	**Before Tax $'000**	**Tax $'000**	**After Tax $'000**
Currency translation gains	204,415	-	204,415
Fair value gains on available-for-sale investments, net of gains recycled to profit or loss	328,444	(163,124)	165,320
Share of other comprehensive income of associated companies, net of tax	447,638	-	447,638
Remeasurement of post-employment benefit obligation	(582,961)	194,320	(388,640)
Other comprehensive income	397,536	31,196	428,733
Deferred income tax (Note 28)		31,196	

	The Group		
At 30 September 2016	**Before Tax $'000**	**Tax $'000**	**After Tax $'000**
Currency translation gains	703,172	-	703,172
Fair value gains on available-for-sale investments, net of gains recycled to profit or loss	6,935,777	(1,657,076)	5,278,701
Remeasurement of post-employment benefit obligation	94,708	(31,570)	63,138
Other comprehensive income	7,733,657	(1,688,646)	6,045,011
Deferred income tax (Note 28)		(1,688,646)	

15. Earnings per Stock Unit

Basic earnings per stock unit is calculated by dividing the net profit attributable to stockholders by the weighted average number of ordinary stock units in issue during the year. Diluted earnings per stock unit equals basic earnings per stock unit as there are no potential dilutive ordinary stock units.

	2017	2016
Net profit attributable to stockholders ($'000)	19,107,818	14,448,560
Weighted average number of ordinary stock units in issue ('000)	2,461,469	2,461,469
Basic and diluted earnings per stock unit ($)	7.76	5.87

16. Cash in Hand and Balances at Central Banks

	The Group	
	2017	2016
	$'000	$'000
Cash in hand	4,531,037	4,668,373
Balances with Central Banks other than statutory reserves	21,759,468	871,911
Included in cash and cash equivalents	26,290,505	5,540,284
Statutory reserves with Central Banks – interest-bearing	-	159,238
Statutory reserves with Central Banks – non-interest-bearing	39,022,524	29,673,027
	65,313,029	35,372,549
Interest receivable	1,630	592
	65,314,659	35,373,141

Statutory reserves with Central Banks represent the required ratio of prescribed functional and foreign currency liabilities. They are not available for investment, lending or other use by the Group. Interest was earned on certain foreign currency reserves during the previous year. The payment of interest on all foreign currency cash reserves was discontinued.

17. Due from Banks

	The Group		The Company
	2017	2016	2017
	$'000	$'000	$'000
Placements with NCB	-	-	29,725,657
Items in course of collection from other banks	491,368	316,093	-
Placements with other banks	40,717,877	45,631,693	-
	41,209,245	45,947,786	29,725,657
Interest receivable	1,628	1,839	368,217
	41,210,873	45,949,625	30,093,874
Less: Placements pledged as collateral for letters of credit (Note 23)	(1,795,892)	(2,129,075)	-
	39,414,981	43,820,550	30,093,874

Placements with other banks include short term fixed deposits and other balances held with correspondent banks. These bank balances are held to facilitate the payment of wire transfers, bank drafts, treasury related activities and to satisfy liquidity requirements.

The amounts included as cash equivalents in the statement of cash flows are as follows:

	The Group		The Company
	2017	2016	2017
	$'000	$'000	$'000
Due from NCBJ	-	-	29,725,657
Due from banks	39,414,981	43,820,550	-
Less: amounts restricted to the settlement of obligations under securitisation arrangements	(3,899,188)	(405,679)	-
	35,515,793	43,414,871	29,725,657

18. Derivative Financial Instruments

The carrying values of derivatives for the Group and the Company are as follows:

	The Group	
	2017	2016
Assets	$'000	$'000
Embedded put option	73,637	203,609
Equity indexed options	132,347	72,820
	205,984	276,429
Liabilities		
Equity indexed options	132,347	72,820
	132,347	72,820

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18. Derivative Financial Instruments (Continued)

Derivatives are carried at fair value in the statement of financial position as separate assets and liabilities. Asset values represent the cost to the Group of replacing all transactions with a fair value in the Group's favour assuming that all relevant counterparties default at the same time, and that transactions can be replaced instantaneously. Liability values represent the cost to the Group's counterparties of replacing all their transactions with the Group with a fair value in their favour if the Group was to default.

Embedded put option
The Group holds certain Government of Jamaica debt securities which were issued in February 2013 and mature in February 2024. The terms of these securities contain an investor put option exercisable in February 2018 under which the holder may require the Government of Jamaica to redeem the securities at 100% of the principal value plus any accrued interest. This embedded put option has been separated and recognised as a financial asset in the statement of financial position. Gains and losses arising from changes in the fair value of the option are reflected in "Gain/(loss) on foreign currency and investment activities" (Note 8).

Equity indexed options
The derivative liability represents the equity index option element of principal protected notes issued by the Group (Note 32(d)) and is carried at fair value.

The derivative asset represents equity index options purchased by the Group to match the liability. The terms of the purchased options are identical to those included in the principal protected notes issued by the Group. The Group is exposed to credit risk on purchased options to the extent of the carrying amount, which is their fair value.

19. Investment Securities at Fair Value through Profit or Loss

	The Group	
	2017	**2016**
	$'000	**$'000**
Government of Jamaica debt securities	1,163,435	1,555,655
Government of Trinidad debt securities	89,039	-
Government of Jamaica guaranteed corporate bonds	-	147,334
	1,252,474	1,702,989
Other corporate bonds	254,349	531,461
Foreign government	8,571	163,952
Quoted debt and equity securities	2,732,533	694,563
Other securities	521	521
	4,248,448	3,093,486
Interest receivable	11,275	26,387
	4,259,723	3,119,873
Less pledged securities (Note 23)	(1,678,785)	(162,883)
	2,580,938	2,956,990

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20. Reverse Repurchase Agreements

The Group entered into collateralised reverse repurchase agreements which may result in credit exposure in the event that the counterparty to the transaction is unable to fulfill its contractual obligations. Included within reverse repurchase agreements is related accrued interest receivable of $15,903,000 (2016 – $9,052,000) for the Group.

At September 30, 2017, the Group held $3,066,136,000 (2016 – $2,932,058,000) of securities, mainly representing Government of Jamaica debt securities, as collateral for reverse repurchase agreements. Of amounts received as collateral for reverse repurchase agreements, the Group has pledged $684,464,000 (2016 – $351,000,000) as collateral for some of their own repurchase agreements.

Included in reverse repurchase agreements for the Group are securities with an original maturity of less than 90 days amounting to $2,170,573,000 (2016 – $1,319,906,000) which are regarded as cash equivalents for purposes of the statement of cash flows.

21. Loans and Advances

	The Group		The Company
	2017	**2016**	**2017**
	$'000	**$'000**	**$'000**
Gross loans and advances	220,854,699	192,392,506	9,579,184
Provision for credit losses	(3,659,526)	(3,782,255)	-
	217,195,173	188,610,251	9,579,184
Interest receivable	1,420,053	445,535	12,327
	218,615,226	189,055,786	9,591,511

The current portion of loans and advances amounted to $65,982,683,000 (2016 – $39,060,230,000) for the Group and $9,591,511,000 for the Company.

The movement in the provision for credit losses determined under the requirements of IFRS is as follows:

	The Group	
	2017	**2016**
	$'000	**$'000**
Balance at beginning of year	3,782,255	4,435,188
Provided during the year	1,697,785	1,522,160
Recoveries	(968,512)	(909,805)
Net charge to the income statement	729,234	612,355
Write-offs	(852,002)	(1,265,287)
Balance at end of year	3,659,526	3,782,255

The aggregate amount of non-performing loans on which interest was not being accrued amounted to $5,403,474,000 as at September 30, 2017 (2016 –$6,043,525,000).

21. Loans and Advances (Continued)

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

	The Group	
	2017	**2016**
	$'000	**$'000**
Specific provision	5,539,720	6,108,124
General provision	2,407,094	2,121,840
	7,946,814	8,229,964
Excess of regulatory provision over IFRS provision recognised in the Bank reflected in non-distributable loan loss reserve (Note 39)	4,287,288	4,447,709

22. Investment Securities classified as Available-for-sale and Loans and Receivables

	The Group	
	2017	**2016**
	$'000	**$'000**
Available-for-sale securities – at fair value		
Debt securities –		
Government of Jamaica and Bank of Jamaica	186,060,301	180,152,168
Government of Jamaica guaranteed corporate bonds	3,155,236	4,590,935
	189,215,537	184,743,104
Other corporate bonds	25,009,268	16,585,767
Foreign governments	9,768,973	7,543,772
Equity securities –		
Quoted	2,736,023	1,585,715
Unquoted	2,133,170	903,990
Unit Trust investments	639,868	551,521
	229,502,839	211,913,868
Loans and receivables – at amortised cost		
Debt securities –		
Government of Jamaica and Bank of Jamaica	44,141,505	41,405,112
Government of Jamaica guaranteed corporate bonds	3,786,213	4,046,333
	47,927,718	45,451,445
Other corporate bonds	13,432,012	11,473,261
	61,359,730	56,924,706
Interest receivable	4,054,996	3,711,093
Total investment securities	294,917,565	272,549,667

22. Investment Securities classified as Available-for-sale and Loans and Receivables (Continued)

	The Group	
	2017	2016
	$'000	$'000
Total investment securities, as above	294,917,565	272,549,667
Less: Pledged securities (Note 23)	(105,846,737)	(106,122,959)
Amount reported on the statement of financial position	189,070,828	166,426,708

The current portion of total investment securities amounted to $7,201,446,000 (2016 - $19,120,113,000) for the Group.

Included in investment securities are debt securities with an original maturity of less than 90 days amounting to $2,725,170,000 (2016 - $1,653,236,000) for the Group which are regarded as cash equivalents for purposes of the statement of cash flows.

23. Pledged Assets

	The Group	
	2017	2016
	$'000	$'000
Investment securities classified as available-for-sale pledged as collateral for:		
Repurchase agreements	105,118,840	105,429,181
Clearing services	583,543	556,365
Investment securities held as security in respect of life insurance subsidiary	144,354	137,413
	105,846,737	106,122,959
Investment securities at fair value through profit or loss pledged as collateral for:		
Repurchase agreements	1,678,785	162,883
	107,525,522	106,285,842
Placements with other banks pledged as collateral for letters of credit	1,795,892	2,129,075
	109,321,414	108,414,917

The Financial Services Commission holds investment securities for certain subsidiaries in accordance with Section 8(1)(B) of the Insurance Regulations 2001.

24. Investment in Associates

	The Group	
	2017	2016
	$'000	$'000
At the beginning of the year	34,787,067	6,307,220
Acquisition	50,000	27,952,114
Share of profits	2,850,700	832,480
Dividends received:		
Guardian Holdings Limited	(886,501)	(276,330)
JMMB Group Limited	(192,950)	(158,648)
Movement in other reserves	577,869	130,231
At end of year	37,186,185	34,787,067

The acquisition of 29.99% shareholding in Guardian Holdings Limited (GHL) in the prior year was completed in May 2016. The Group also acquired a 50% interest in Mundo Finance Limited during the current year. The Group has accounted for these investments as associated companies and will apply the equity method based on a three-month lag.

The Group has used the financial statements of its associates as at June 30 for the purpose of equity accounting to facilitate the availability of financial information in accordance with the Group's reporting timetable. Adjustments are made for significant transactions or events, where identified, that occur between that date and September 30.

24. Investment in Associates (Continued)

The carrying values of investment in associates and the values indicated by prices quoted on the Jamaica Stock Exchange ("JSE Indicative Value") and Trinidad and Tobago Stock Exchange ("TTSE Indicative Value") as at September 30 are as follows:

	The Group			
	Carrying Value	JSE and TTSE Indicative Value	Carrying Value	JSE and TTSE Indicative Value
	2017	2017	2016	2016
	$'000	$'000	$'000	$'000
Guardian Holdings Limited	29,811,695	19,916,558	28,215,386	16,901,466
JMMB Group Limited	7,254,544	9,587,461	6,501,754	5,574,131
Other	119,946	-	69,927	-
	37,186,185	29,504,019	34,787,067	22,475,597

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24. Investment in Associates (Continued)

Management has conducted an impairment assessment in respect of these investments involving a review of the performance of the entities as well as the values of the underlying assets and determined that no impairment in the carrying values has occurred.

The following tables present summarised financial information in respect of the Group's associated companies.

	Guardian Holdings Limited	JMMB Group Limited	Other individually immaterial associates	Total
	$'000	$'000	$'000	$'000
2017				
Current assets	41,281,247	40,575,048	97,337	81,953,632
Non-current assets	439,448,946	227,475,242	240,069	667,164,257
Current liabilities	24,069,778	174,291,786	16,368	198,377,932
Non-current liabilities	396,702,124	66,954,152	68,084	463,724,360
Revenue	107,062,063	23,202,215	199,574	130,544,335
Profit or loss from continuing operations	7,708,406	3,370,545	2,459	11,081,410
Other comprehensive income	1,577,165	600,485	-	2,177,650
Total comprehensive income	9,716,327	3,971,030	2,459	13,689,816
Percentage ownership	29.99%	26.30%		
Net assets of the associate - 100%	59,958,290	26,804,352		
Pre-acquisition goodwill and intangible assets	(11,888,961)	-		
Non-controlling interests	(401,436)	(867,238)		
Adjusted net assets	47,667,893	25,937,114		
Group share of adjusted net assets	14,295,601	6,821,461		
Fair values of intangible assets recognised on acquisition	15,903,435	862,477		
Accumulated amortisation	(387,341)	(429,394)		
Carrying amount	29,811,695	7,254,544		

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24. Investment in Associates (Continued)

	Guardian Holdings Limited	JMMB Group Limited	Other individually immaterial associates	Total
	$'000	$'000	$'000	$'000
2016				
Current assets	46,406,961	29,051,434	64,872	75,523,267
Non-current assets	399,109,220	215,869,562	195,860	615,174,642
Current liabilities	18,798,247	160,705,922	13,325	179,517,493
Non-current liabilities	371,811,134	60,648,002	68,084	432,527,220
Revenue	21,679,028	19,838,103	193,638	31,705,064
Profit or loss from continuing operations	1,889,530	2,289,689	28,828	3,335,956
Other comprehensive income	(348,379)	(476,391)	-	(663,979)
Total comprehensive income	1,544,758	1,813,298	28,828	2,673,919
Percentage ownership	29.99%	26.30%		
Net assets of the associate - 100%	54,906,801	23,567,072		
Pre-acquisition goodwill and intangible assets	(11,948,703)	-		
Non-controlling interests	(432,711)	(757,036)		
Adjusted net assets	42,525,387	22,810,036		
Group share of adjusted net assets	12,753,363	5,999,039		
Fair values of intangible assets recognised on acquisition	15,462,023	862,477		
Accumulated amortisation	-	(359,762)		
Carrying amount	28,215,386	6,501,754		

25. Investment Property

	The Group	
	2017	2016
	$'000	$'000
Balance at beginning of year	524,917	475,500
Additions	164,491	-
Reclassification	23,000	6,417
Fair value gains (Note 8)	100,211	43,000
Balance at end of year	812,619	524,917
Income earned from the properties	54,944	29,676
Expenses incurred by the properties	(46,879)	(5,323)

The Group did not classify any properties held under operating leases as investment properties. The properties held are stated at fair market value, as appraised by professional, independent valuators. The value for the property was determined using the direct capitalisation approach.

The valuations of investment property have been classified as Level 3 of the fair value hierarchy under IFRS 13, Fair Value Measurement.

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26. Intangible Assets

	The Group			
	Trade name $'000	**Customer relationships $'000**	**Computer Software $'000**	**Total $'000**
		2017		
Net book value, at beginning of year	194,531	139,916	3,110,750	3,445,197
Additions	-	-	2,539,825	2,539,825
Amortisation charge	(11,949)	(59,695)	(990,568)	(1,062,212)
Net book value, at end of year	182,582	80,221	4,660,007	4,922,810
Cost	238,974	358,162	10,151,624	10,748,760
Accumulated amortisation	(56,392)	(277,941)	(5,491,617)	(5,825,950)
Closing net book value	182,582	80,221	4,660,007	4,922,810
		2016		
Net book value, at beginning of year	206,480	199,610	2,406,473	2,812,563
Additions	-	-	1,417,935	1,417,935
Reclassifications and adjustments	-	-	(7,694)	(7,694)
Amortisation charge	(11,949)	(59,694)	(705,964)	(777,607)
Net book value, at end of year	194,531	139,916	3,110,750	3,445,197
Cost	238,974	358,163	7,611,780	8,208,917
Accumulated amortisation	(44,443)	(218,247)	(4,501,030)	(4,763,720)
Closing net book value	194,531	139,916	3,110,750	3,445,197

Computer software for the Group at year end include items with a cost of $1,318,682,000 (2016 - $786,609,000) on which no amortisation has yet been charged as these software applications are in the process of implementation.

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27. Property, Plant and Equipment

	The Group					
	Freehold Land and Buildings	Leasehold Improvements	Motor Vehicles, Furniture & Equipment	Assets Capitalised Under Finance Leases	Work-in-Progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost -						
At October 1, 2015	5,399,668	659,152	8,951,526	685,631	620,748	16,316,725
Additions	52,135	40,995	1,015,930	211,173	166,912	1,487,145
Disposals	(2,427)	-	(1,261,796)	(176,483)	-	(1,440,706)
Transfers	236,530	32,905	212,715	-	(482,150)	-
Reclassifications and adjustments	32,987	(1,789)	-	-	7,654	38,852
At September 30, 2016	5,718,893	731,263	8,918,375	720,321	313,164	16,402,016
Additions	6,895	34,333	656,940	304,358	2,303,910	3,306,436
Disposals	(94,990)	(197,654)	(166,995)	(157,878)	(498)	(618,015)
Transfers	28,402	39,363	115,799	-	(206,564)	(23,000)
Reclassifications and adjustments	43,542	(14,909)	(5,207)	24,583	3,299	51,308
At September 30, 2017	5,702,742	592,396	9,518,912	891,384	2,413,311	19,118,745
Accumulated Depreciation -						
At October 1, 2015	813,875	565,161	6,482,939	423,871	-	8,285,846
Charge for the year	119,736	39,835	791,408	170,829	-	1,121,808
Disposals	(609)	-	(1,256,872)	(172,572)	-	(1,430,053)
Reclassifications and adjustments	(15,935)	(862)	1,251	-	-	(15,546)
At September 30, 2016	917,067	604,134	6,018,726	422,128	-	7,962,055
Charge for the year	144,609	55,151	903,428	193,874	-	1,297,062
Disposals	(22,818)	(188,809)	(165,470)	(150,194)	-	(527,291)
Reclassifications and adjustments	(53,224)	(7,559)	14,715	1,526	-	(44,542)
At September 30, 2017	985,634	462,917	6,771,399	467,334	-	8,687,284
Net Book Value -						
September 30, 2017	4,717,108	129,479	2,747,513	424,050	2,413,311	10,431,461
September 30, 2016	4,801,826	127,129	2,899,649	298,193	313,164	8,439,961

The carrying value of assets capitalised under finance leases pledged as collateral amounted to $463,755,000 (2016 – $339,228,000).

28. Deferred Income Taxes

Deferred income taxes are calculated on all temporary differences under the liability method using a tax rate of 25% (2016: 25%) for the life insurance subsidiary, 33⅓% for the Company and other "regulated companies", 21% for the subsidiary incorporated in the United Kingdom and 25% for all other subsidiaries; with the exception of the subsidiaries incorporated in Cayman Islands and the NCB Employee Share Scheme which are not subject to income tax.

The net assets recognised in the statement of financial position are as follows:

	The Group		The Company
	2017	**2016**	**2017**
	$'000	**$'000**	**$'000**
Deferred tax assets	(1,622,204)	(179,748)	(269,207)
Deferred tax liabilities	1,498,616	1,848,538	-
Net asset at end of year	(123,588)	1,668,790	(269,207)

The movement in the net deferred income tax balance is as follows:

	The Group		The Company
	2017	**2016**	**2017**
	$'000	**$'000**	**$'000**
Net liability at beginning of year	1,668,790	1,723,315	-
Deferred tax credited in the income statement (Note 14)	(1,761,182)	(1,743,171)	(269,207)
Deferred tax (credited)/charged to other comprehensive income	(31,196)	1,688,646	-
Net (asset)/ liability at end of year	(123,588)	1,668,790	(269,207)

The amounts shown in the statement of financial position included the following:

	The Group		The Company
	2017	**2016**	**2017**
	$'000	**$'000**	**$'000**
Deferred tax assets to be recovered after more than 12 months	(1,769,096)	(1,066,636)	-
Deferred tax liabilities to be settled after more than 12 months	1,850,883	676,056	-

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28. Deferred Income Taxes (Continued)

Deferred income tax assets and liabilities, prior to offsetting of balances, are due to the following items:

	The Group		The Company
	2017	2016	2017
	$'000	$'000	$'000
Deferred income tax assets:			
Property, plant and equipment	654,590	411,116	-
Investment securities classified as available-for-sale	1,422	3,219	-
Loan loss provisions	11,893	-	-
Pensions and other post-retirement benefits	1,340,232	1,045,220	-
Interest payable	185,278	164,551	-
Unrealised foreign exchange loss	327,161	-	-
Untilised tax losses	-	-	269,207
Other temporary differences	637,608	307,962	-
	3,158,184	1,932,068	269,207
Deferred income tax liabilities:			
Property, plant and equipment	2,303	27,361	-
Investment securities at fair value through profit or loss	1,804	49,464	-
Investment securities classified as available-for-sale	1,669,258	1,423,592	-
Interest receivable	124,415	380,897	-
Unrealised foreign exchange gains	345,257	763,864	-
Loan loss provisions	621,251	769,991	-
Fair value gains on derivatives	-	106,335	-
Other temporary differences	270,322	79,354	-
	3,034,596	3,600,858	-
Net deferred tax asset	(123,588)	1,668,790	(269,207)

28. Deferred Income Taxes (Continued)

The amounts recognised in the income statement are due to the following items:

	The Group		The Company
	2017	2016	2017
	$'000	$'000	$'000
Property, plant and equipment	(260,982)	(379,899)	-
Investment securities	(57,742)	(42,217)	-
Loan loss provisions	(148,740)	(599,841)	-
Pensions and other post-retirement benefits	(100,692)	(84,677)	-
Interest receivable	86,334	130,974	-
Interest payable	(20,726)	(31,333)	-
Fair value (losses)/gains on derivatives	(50,942)	95,315	-
Unrealised foreign exchange gains and losses	(1,233,179)	(490,847)	-
Unutilised tax losses	-	-	(269,207)
Other temporary differences	25,487	(340,646)	-
	(1,761,182)	(1,743,171)	(269,207)

The amounts recognised in other comprehensive income are due to the following items:

	The Group		The Company
	2017	2016	2017
	$'000	$'000	$'000
Unrealised gains on available-for-sale investments	746,491	1,813,757	-
Realised fair value gains on sale and maturity of investments	(583,367)	(156,681)	-
Remeasurement of the post-employment benefit obligation	(194,320)	31,570	-
	(31,196)	1,688,646	-

29. Other Assets

	The Group		The Company
	2017	**2016**	**2017**
	$'000	**$'000**	$'000
Due from merchants, financial institutions, clients and payment systems providers	5,153,514	3,219,760	1,758,742
Prepayments	1,197,314	977,756	24,085
Receivables on disposal of debt collateral	-	2,902,404	-
Re-insurance recoverable	271,145	389,714	-
Due from banks	-	-	3,466,870
Other	1,254,284	685,725	-
	7,876,257	8,175,359	5,249,697

The fair values of other assets approximate carrying values. All receivable balances are due within the next 12 months.

30. Due to Banks

	The Group		The Company
	2017	**2016**	**2017**
	$'000	**$'000**	**$'000**
Items in course of payment	3,364,253	2,767,040	-
Borrowings from NCBJ	-	-	29,088,688
Borrowings from other banks	7,056,477	10,362,027	-
Deposits from other banks	60,883	56,167	-
	10,481,613	13,185,234	29,088,688
Interest payable	65,768	88,224	2,375,661
	10,547,381	13,273,458	31,464,349

Items in the course of payment primarily represent cheques drawn by the Group which have been accounted for as a deduction from its bank balances but which have not been presented on its bank accounts. These relate to accounts held with banks outside of Jamaica and at Central Banks. Borrowings from other banks are denominated in United States dollars and have various maturity dates. These attract interest at 5.56%-10.62% per annum.

The amounts included as cash equivalents in the statement of cash flows are as follows:

	The Group	
	2017	**2016**
	$'000	**$'000**
Total due to banks	10,547,381	13,273,458
Less: amounts with original maturities of greater than 90 days	(6,783,047)	(9,978,540)
	3,764,334	3,294,918

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31. Obligations under Securitisation Arrangements

	The Group	
	2017	2016
	$'000	$'000
Diversified payment rights		
Principal outstanding – US$116,667,000 (2016 – US$125,000,000)	15,073,438	15,991,250
Merchant voucher receivables		
Principal outstanding – US$400,000,000 (2016 –US$250,000,000)	51,680,360	31,982,500
	66,753,798	47,973,750
Unamortised transaction fees	(755,963)	(557,842)
	65,997,835	47,415,908
Interest payable	745,515	483,848
Net liability	66,743,350	47,899,756

The current portion of obligations under securitisation arrangements amounted to $10,781,502,000 (2016 – $1,066,083,000).

Diversified Payment Rights

The Group has entered into a number of structured financing transactions involving securitisation of its Diversified Payment Rights. A Diversified Payment Right ("DPR") is a right of the Group to receive payments from correspondent banks based overseas whenever a payment order is initiated by a person or entity situated overseas in favour of a person or entity situated in Jamaica. Under these securitisation transactions, the Group assigns its rights to all present and future DPRs to an offshore special purpose vehicle, Jamaica Diversified Payment Rights Company Limited (Note 33), which then issues notes which are secured by DPR flows. The cash flows generated by the DPRs are used by Jamaica Diversified Payment Rights Company Limited to make scheduled principal and interest payments to the note holders and any excess cash is transferred to the Group, provided no early amortisation event or default has occurred under the terms of the notes.

On May 30, 2013, the Group raised US$100 million through the Diversified Payments Rights Securitisation (Series 2013-1 Notes). The transaction was structured with an interest-only period of eighteen months and thereafter quarterly principal amortisation on a straight line basis, beginning September 15, 2014 to final maturity on March 15, 2018. Interest is due and payable on a quarterly basis calculated at three month US dollar LIBOR plus 675 basis points beginning September 15, 2015.

On February 21, 2014, the Group increased the existing Series 2013-1 Notes by US$25 million on the same terms as the existing Notes.

On April 25, 2014, the holders of the Series 2013-1 Notes exercised their option to extend the maturity of the Notes by 12 months, adjusting the principal amortisation to commence on September 15, 2015 and final maturity to March 15, 2019.

On April 27, 2015, the holders of the Series 2013-1 Notes exercised their option to extend the maturity of the Notes by 12 months, adjusting the principal amortisation to commence on September 15, 2016 and final maturity to March 16, 2020.

31. Obligations under Securitisation Arrangements (Continued)

On March 28, 2016, the holders of the Series 2013-1 Notes exercised their third and final option to extend the maturity of the Notes by 12 months, adjusting the principal amortisation to commence on September 15, 2017 and final maturity to March 15, 2021.

Merchant Voucher Receivables

The Group has entered into a structured financing transaction involving securitisation of its Merchant Voucher Receivables. This arrangement involves the sale of future flows due from Visa International Service Association (Visa) and MasterCard International Incorporated (MasterCard) related to international merchant vouchers acquired by the Group in Jamaica.

A merchant voucher is created when an international Visa or MasterCard cardholder pays for goods or services at a NCB merchant. NCB approves the charge, pays the merchant under contractual terms, and submits the merchant voucher information to Visa or MasterCard for settlement. Upon approval and receipt of the charge information, Visa or MasterCard is obligated to pay the amounts due, and this represents a receivable under the transaction.

Arising from this arrangement, the transferred its rights to all future receivables to an off-shore special purpose company (SPC), Jamaica Merchant Voucher Receivables Limited, which then issues notes which are secured by the Merchant Voucher Receivables flows. The cash flows generated by the Merchant Vouchers Receivables are used by Jamaica Merchant Voucher Receivables Limited to make scheduled principal and interest payments to the note holders and any excess cash is transferred to the Group, provided no early amortisation event or default has occurred under the terms of the notes.

On May 18, 2015, the Group raised US$250 million through the Merchant Voucher Receivables securitisation transaction. The transaction was structured on a mortgage-style amortisation basis with an interest-only period of twenty eight months and thereafter quarterly principal amortisation, beginning October 6, 2017 to final maturity on July 8, 2022. Interest is due and payable on a quarterly basis calculated at a rate of 5.875% beginning July 7, 2015.

On November 21, 2016, the Bank raised an additional US$150 million through the Merchant Voucher Receivables securitisation transaction. The transaction was structured on a mortgage-style amortisation basis with an interest-only period of forty-one months and thereafter quarterly principal amortisation, beginning July 7, 2020 to final maturity on January 8, 2027. Interest is due and payable on a quarterly basis calculated at a rate of 5.625% beginning January 9, 2017.

32. Other Borrowed Funds

	The Group		The Company
	2017	2016	2017
	$'000	$'000	$'000
(a) Development Bank of Jamaica	4,409,372	4,120,781	-
(b) Customer long-term investments	40,450	61,545	-
(c) Corporate notes	33,026,926	6,728,949	40,240,744
(d) Principal protected notes	565,600	741,153	-
(e) Finance lease obligations	453,851	347,062	-
(f) Other	1,463	7,239	-
	38,497,662	12,006,729	40,240,744
Unamortised transaction fees	(77,560)	-	(77,560)
Interest payable	229,454	54,425	195,864
	38,649,556	12,061,154	40,359,048

The current portion of other borrowed funds amounted to $6,656,717,000 (2016 – $5,189,420,000) for the Group and nil for the Company.

(a) The loans from Development Bank of Jamaica are granted in both Jamaican and US dollars and are utilised by the Group to finance customers with viable ventures in agricultural, agro-industrial, construction, manufacturing, mining and tourism sectors of the economy. These loans are for terms up to 12 years and at rates ranging from 3.5% – 8%.

(b) Customer long-term investments represent investments placed by customers for a minimum period of five (5) years. The investments are at variable interest rates and are not subject to withholding tax if held to maturity. They are repayable between 2017 and 2018 and attract interest at 2.6% - 4.4% (2016: 1.7% - 4.4%) per annum.

(c) Corporate notes are both unsecured and secured variable and fixed rate notes issued in a combination of Jamaican dollars and United States dollars. The notes are repayable between 2017 and 2022. The fixed rate notes attract interest between 4.5% and 9.75% and the variable rate notes attract interest of the six month weighted average Treasury bill yield plus 2.5% per annum.

(d) The Group has issued principal protected notes which entitle the holders to participate in positive returns on the Euro Stoxx 50 or S&P 500 indices while providing a principal protection feature with or without an annual coupon interest payment. If the return on the index is negative, the holder will obtain the principal invested for the notes. Both the principal and interest payments are indexed to the US dollar. These notes are structured products and comprise a fixed income element accounted for at amortised cost (disclosed above) and a derivative (equity indexed option) element disclosed in Note 18.

32. Other Borrowed Funds (Continued)

(e) The finance lease obligations are as follows:

	The Group	
	2017	**2016**
	$'000	**$'000**
Minimum lease payments under finance leases:		
Not later than 1 year	227,651	193,384
Later than 1 year and not later than 5 years	289,247	202,834
	516,898	396,218
Future finance charges	(63,047)	(49,156)
Present value of finance lease obligations	453,851	347,062

The present value of finance lease obligations is as follows:

	The Group	
	2017	**2016**
	$'000	**$'000**
Not later than 1 year	190,311	164,412
Later than 1 year and not later than 5 years	263,540	182,650
	453,851	347,062

33. Interests in Structured Entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. An interest in a structured entity is any form of contractual or non-contractual involvement which creates variability in returns arising from the performance of the entity for the Group. Such interests include holdings of debt or equity securities and investment management agreements. Structured entities are assessed for consolidation in accordance with the accounting policy set out in Note 2(b).

Consolidated Structured Entities

Securitisation Vehicles
The Group uses securitisation as a source of financing and a means of risk transfer. Securitisation of its Diversified Payment Rights and Merchant Voucher Receivables (Note 31) is conducted through structured entities, Jamaica Diversified Payment Rights Company Limited and Jamaica Merchant Voucher Receivables Limited, exempted limited liability companies incorporated under the laws of the Cayman Islands. The relationship between the transferred rights and the associated liabilities is that holders of Notes may only look to cash flows from the securitised assets for payments of principal and interest due to them under the terms of their Notes.

Unconsolidated Structured Entity
The Group manages a Unit Trust Scheme comprising seven portfolios – the JMD Money Market Portfolio, the JMD High Yield Portfolio, the High Yield Asset and Loans Portfolio, the Caribbean Equity Portfolio, the USD Money Market Portfolio, the USD Indexed Bond Portfolio and the USD Bond Portfolio.

The Unit Trust has an independent trustee. The Group is the investment manager of the Unit Trust and is entitled to receive management fees based on the assets under management. The Group also holds units in the Unit Trust.

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33. Interests in Structured Entities (Continued)

***Unconsolidated Structured Entity* (continued)**

The table below shows the total assets of the Unit Trust, the Group's interest in and income arising from involvement with the Unit Trust as well as the maximum exposure to loss. The maximum exposure to loss from the Group's interests represents the maximum loss that the Group could incur as a result of its involvement with the Unit Trust regardless of the probability of the loss being incurred. The income from the Group's interest includes recurring and non-recurring fees and any mark-to-market gains/losses on a net basis.

	The Group	
	2017	**2016**
	$'000	**$'000**
Total assets of the Unit Trust	35,783,505	34,816,209
The Group's interest – Carrying value of units held (included in available-for-sale investment securities – Note 22)	139,179	150,822
Maximum exposure to loss	139,179	150,822
Liability to the Unit Trust in relation to investment in repurchase obligations (included in repurchase obligations on the consolidated statement of financial position)	2,623,046	4,728,482
Total income from the Group's interests	656,466	501,111

The Group has not provided any non-contractual financial support during the period and does not anticipate providing non-contractual support to the Unit Trust in the future.

34. Liabilities under Annuity and Insurance Contracts

The Group's liabilities under annuity and insurance contracts arise from the operations of its life insurance subsidiary and its general insurance subsidiary.

The life insurance subsidiary issues life insurance and annuity contracts. These contracts insure human life events (for example, death or survival) over a long duration.

The general insurance subsidiary issues property and casualty insurance contracts. Casualty insurance contracts protect the Group's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers' liability) and for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability). Property insurance contracts mainly compensate the Group's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

Liabilities under Annuity and Insurance Contracts comprise the following:

	The Group	
	2017	**2016**
	$'000	**$'000**
Liabilities under life insurance and annuity contracts	29,106,118	27,811,227
Liabilities under general insurance contracts	7,079,202	7,471,426
	36,185,320	35,282,653

Liabilities under Life Insurance and Annuity Contracts

	The Group	
	2017	**2016**
	$'000	**$'000**
(a) Composition of liabilities under life insurance and annuity contracts:		
Life assurance fund	25,915,372	24,787,816
Risk reserve	3,028,489	2,885,362
Benefits and claims payable	71,366	48,495
Unprocessed premiums	90,891	89,554
	29,106,118	27,811,227

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34. Liabilities under Annuity and Insurance Contracts (Continued)

Liabilities under Life Insurance and Annuity Contracts (continued)

	The Group	
	2017	**2016**
	$'000	**$'000**
(b) Change in policyholders' liabilities:		
Life assurance fund:		
At the beginning of the year	24,787,816	23,704,129
Gross premiums	3,855,348	3,777,256
Premium refunds	(2,249)	(596)
Mortality charges transferred to the income statement	(82,201)	(65,892)
Fees transferred to the income statement	(502,827)	(351,545)
Claims and benefits	(3,048,447)	(3,170,290)
Interest credited	907,932	894,754
At the end of the year	25,915,372	24,787,816
Risk reserve:		
At the beginning of the year	2,885,362	3,227,494
Issue of new contracts	496,779	307,108
Normal changes	824,666	388,799
Effect of change in assumptions:		
Base renewal expense levels	(853,543)	(1,021,383)
Investment returns	(192,403)	(73,177)
Lapse and surrender rates	(9,070)	31,751
Mortality rates	(123,302)	18,731
Disability	-	6,039
At the end of the year	3,028,489	2,885,362
Benefits and claims payable:		
At the beginning of the year	48,495	54,085
Policyholders' claims and benefits	216,851	259,462
Benefits and claims paid	(193,980)	(265,052)
At the end of the year	71,366	48,495
Unprocessed premiums:		
At the beginning of the year	89,554	81,318
Premiums received	6,975,442	6,856,058
Premiums applied	(6,974,105)	(6,847,822)
At the end of the year	90,891	89,554

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34. Liabilities under Annuity and Insurance Contracts (Continued)

Liabilities under Life Insurance and Annuity Contracts (continued)
The movement in the risk reserve per type of contract is as follows:

	2017			
	Annuity	**Individual life**	**Group life**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Balance brought forward	7,002,457	(4,651,463)	534,368	2,885,362
Changes in assumptions:				
Investment returns	102,703	(295,106)	-	(192,403)
Base renewal expense levels and inflation	(3,182)	(847,375)	(2,986)	(853,543)
Lapse and surrender rates	-	(9,070)	-	(9,070)
Mortality rates	-	(113,502)	(9,800)	(123,302)
	99,521	(1,265,053)	(12,786)	(1,178,318)
Issue of new contracts	677,684	(599,464)	418,559	496,779
Normal changes	24,402	835,908	(35,644)	824,666
Net change	801,607	(1,028,609)	370,129	143,127
	7,804,064	(5,680,072)	904,497	3,028,489

	2016			
	Annuity	**Individual life**	**Group life**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Balance brought forward	6,099,907	(3,402,727)	530,314	3,227,494
Changes in assumptions:				
Investment returns	38,750	(111,927)	-	(73,177)
Base renewal expense levels and inflation	1,539	(1,026,528)	3,606	(1,021,383)
Lapse and surrender rates	-	31,751	-	31,751
Disability	-	6,039	-	6,039
Mortality rates	11,251	7,480	-	18,731
	51,540	(1,093,185)	3,606	(1,038,039)
Issue of new contracts	799,114	(685,617)	193,611	307,108
Normal changes	51,896	530,066	(193,163)	388,799
Net change	902,550	(1,248,736)	4,054	(342,132)
	7,002,457	(4,651,463)	534,368	2,885,362

34. Liabilities under Annuity and Insurance Contracts (Continued)

Liabilities under Life Insurance and Annuity Contracts (continued)

The Group's life insurance subsidiary holds assets that match insurance liabilities. These assets comprise mainly investment securities, which are classified as available-for-sale and loans and receivables, and reverse repurchase agreements.

The assets supporting policyholders' and other liabilities are as follows:

	2017			
	Annuity Contracts	**Individual and Group Life Insurance Contracts**	**Other Liabilities Surplus and Capital**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Investment securities	7,828,680	27,604,957	6,789,606	42,223,243
Reverse repurchase agreements	212,444	1,499,880	7,027	1,719,351
Other assets	949,366	1,596,445	(147,428)	2,398,383
Property, plant and equipment	-	-	17,609	17,609
Intangible asset – computer software	-	-	355,060	355,060
	8, 990,490	30,701,282	7,021,874	46,713,646

	2016			
	Annuity Contracts	**Individual and Group Life Insurance Contracts**	**Other Liabilities, Surplus and Capital**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Investment securities	6,761,781	25,609,890	6,558,456	38,930,127
Reverse repurchase agreements	571,020	1,402,734	145,482	2,119,236
Other assets	710,631	1,423,012	(1,112,641)	1,021,002
Property, plant and equipment	-	-	15,725	15,725
Intangible asset – computer software	-	-	314,281	314,281
	8,043,432	28,435,636	5,921,303	42,400,371

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34. Liabilities under Annuity and Insurance Contracts (Continued)

Liabilities under Life Insurance and Annuity Contracts (continued)

Policy assumptions

For insurance contracts, the assumptions used to determine the liabilities are updated at each reporting date to reflect the latest best estimates. The assumptions used for valuing the insurance contracts disclosed in this note are as follows:

Mortality and morbidity

Mortality estimates are made as to the expected number of deaths for each of the years in which the Group's life insurance subsidiary is exposed to risk. These assumptions are based on North American standard industry mortality tables adjusted to reflect recent local historical experience. Assumptions vary by sex, underwriting class and type of insurance contract. The main source of uncertainty is that epidemics such as AIDS and wide ranging lifestyle changes, such as eating, smoking and exercise habits could result in future mortality being significantly worse than in the past for age groups in which the Group's life insurance subsidiary has significant exposure to mortality risk. Conversely, improvements in longevity in excess of those allowed for in determining the liabilities could result in a lessening of future liabilities.

Morbidity relates to the frequency of illness, sickness and diseases contracted. The rate of recovery from such afflictions is derived from industry experience studies, adjusted where appropriate from the Group's life insurance subsidiary's own experience.

Investment yields

The Group's life insurance subsidiary matches assets and liabilities. The projected cash flows from these assets are combined with future reinvestment rates derived from the current economic outlook and the Group's life insurance subsidiary's investment policy to determine expected rates of return on these assets for all future years. Investment yields include expected future asset defaults. For the current valuation these are:

	Individual with Investment Options	**Individual & Group Life**	**Annuities**
Year 1	6.61%	8.39%	12.82%
Year 2 – 10	Decreasing to 5.85%	Decreasing to 6.99%	12.82%
Year 11 – 29	Decreasing to 5.00%	Decreasing to 5.60%	12.82%
Year 29 onwards	5.00%	5.60%	9.71%
Year 39 onwards	-	-	7.50%

The main source of uncertainty is the fluctuation in the economy. Lower yields would result in higher reserves and reduced income.

34. Liabilities under Annuity and Insurance Contracts (Continued)

Liabilities under Life Insurance and Annuity Contracts (continued)
Policy assumptions (continued)
Persistency
Persistency assumptions are made in relation to the time since inception that a policy exists before it lapses or is surrendered. Lapses relate to termination of policies due to non-payment of premiums. Surrenders relate to voluntary termination of policies by the policyholders. Policy terminations are based on the Group's life insurance subsidiary's own experience adjusted for expected future conditions. A statistical study of the past two years is performed in order to determine an appropriate persistency rate and best estimates of future rates are determined by examining any trends in the data. The main source of uncertainty derives from changes in policyholder behaviour as these relate to changes in economic conditions.

Renewal expenses and inflation
Policy maintenance expenses are derived from the Group's life insurance subsidiary's own internal cost studies projected into the future with an allowance for inflation as shown below:

Year 1	5.74%
Year 2 – 10	Decreasing to 5.03%
Year 11 – 25	Decreasing to 4.00%
Year 25 onwards	4.00%

Taxation
It is assumed that current tax legislation and rates continue unaltered.

Provisions for adverse deviations
The basic assumptions made in establishing policy liabilities are best estimates for a range of possible outcomes. To recognise the uncertainty in establishing these best estimates, to allow for possible deterioration in experience and to provide greater comfort that the reserves are adequate to pay future benefits, the Appointed Actuary is required to include a margin in each assumption.

The impact of these margins is to increase reserves and so decrease the income that would be recognised on inception of the policy. The Appointed Actuary uses assumptions which are considered conservative, taking into account the risk profiles of the policies written.

Sensitivity analysis
The following table represents the sensitivity of the value of the policyholders' liabilities under life insurance contracts disclosed in this note to certain movements in the valuation assumptions used.

	Change in Variable	Increase in Liability	
		2017	2016
	%	$'000	$'000
Lowering of investment returns	1	2,687,203	2,568,576
Worsening of base renewal expense levels	10	208,895	246,873
Worsening of mortality	10	91,278	81,431
Worsening of lapse and surrender rates	10	329,191	276,837

34. Liabilities under Annuity and Insurance Contracts (Continued)

Liabilities under General Insurance Contracts (continued)

Sensitivity analysis

The following table represents the sensitivity of the value of the policyholders' liabilities under life insurance contracts disclosed in this note to certain movements in the valuation assumptions used.

	Change in Variable	Increase in Liability	
		2017	2016
	%	$'000	$'000
Lowering of investment returns	-1	2,687,203	2,568,576
Increase in investment returns	1	(2,218,136)	(2,128,338)
Worsening of base renewal expense levels	-10	(208,895)	(246,873)
Improvement in base renewal expense levels	10	208,959	246,873
Worsening of mortality	-10	(91,278)	(81,431)
Improvment in mortality	10	92,278	81,431
Worsening of lapse and surrender rates	-10	(329,191)	(276,837)
Improvement in lapse and surrender rates	10	369,925	276,837

	The Group	
	2017 $'000	2016 $'000
Gross:		
Claims outstanding	4,619,396	4,977,622
Unearned premiums	2,459,806	2,493,804
	7,079,202	7,471,426
Reinsurance ceded		
Claims outstanding	(39,792)	(166,069)
Unearned premiums	(204,847)	(224,381)
	(244,639)	(390,450)
Net:		
Claims outstanding	4,579,604	4,811,553
Unearned premiums	2,365,753	2,376,621
	6,945,357	7,188,174

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34. Liabilities under Annuity and Insurance Contracts (Continued)

Liabilities under General Insurance Contracts

The movement in and composition of claims outstanding are as follows:

	2017			2016		
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Notified claims	3,215,853	(160,334)	3,022,519	3,567,995	(40,077)	3,527,918
Claims incurred but not reported	1,761,769	(5,735)	1,756,034	1,526,263	(2,949)	1,523,314
Balance at beginning of year	4,977,622	(166,069)	4,811,553	5,094,258	(43,026)	5,051,232
Claims incurred	2,816,198	(61,074)	2,755,124	2,975,045	(242,357)	2,732,688
Claims paid	(3,174,424)	187,351	(2,987,073)	(3,091,681)	119,314	(2,972,367)
Balance at end of year	4,619,396	(39,792)	4,579,604	4,977,622	(166,069)	4,811,553
Comprising:						
Notified claims	2,687,327	(25,648)	2,661,679	3,215,853	(160,334)	3,055,519
Claims incurred but not reported	1,932,069	(14,144)	1,917,925	1,761,769	(5,735)	1,756,034
	4,619,396	(39,792)	4,579,604	4,977,622	(166,069)	4,811,553

34. Liabilities under Insurance and Annuity Contracts (Continued)

Liabilities under General Insurance Contracts (continued)

The policy and claims liabilities were determined in accordance with accepted actuarial principles and as directed by the Financial Services Commission.

In determining the valuation, the actuary employed the Paid Loss Development method, the Incurred Loss Development method, the Bornhuetter-Ferguson Paid Loss method, the Bornhuetter-Ferguson Incurred Loss method and the Frequency-Severity method. In using the Paid/Incurred Loss Development methods, ultimate losses are estimated by calculating past paid/incurred loss development factors and applying them to exposure periods with further expected paid/incurred loss development. The Bornhuetter-Ferguson Paid/Incurred Loss methods is a combination of the Paid/Incurred Loss Development methods and a loss ratio method; however, these expected losses are modified to the extent paid/incurred losses to date differ from what would have been expected based on the selected paid/incurred loss development pattern. Finally, the Frequency-Severity method is calculated by multiplying an estimate of ultimate claims with an estimate of the ultimate severity per reported claim.

The movement in and composition of unearned premiums are as follows:

	2017			2016		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at beginning of year	2,601,002	(224,381)	2,376,621	2,527,990	(205,958)	2,322,032
Premiums written	5,187,560	(509,750)	4,677,810	5,152,559	(483,228)	4,669,331
Premiums earned	(5,217,962)	529,284	(4,688,678)	(5,079,547)	464,805	(4,614,742)
Balance at end of year	2,570,600	(204,847)	2,365,753	2,601,002	(224,381)	2,376,621
Comprising, by type of business:						
Liability insurance contracts	33,832	-	33,832	27,828	-	27,828
Motor insurance contracts	2,273,180		2,273,180	2,290,215	-	2,290,215
Pecuniary loss insurance contracts	37,919	(33,733)	4,186	62,622	(35,311)	27,311
Property insurance contracts	264,053	(171,114)	54,555	220,337	(189,070)	31,267
	2,570,600	(204,847)	2,365,753	2,601,002	(224,381)	2,376,621

35. Post-employment Benefits

Liabilities recognised in the statement of financial position are as follows:

	The Group	
	2017	**2016**
	$'000	**$'000**
Pension schemes	(122,358)	43,295
Other post-employment benefits	4,143,054	3,087,822
	4,020,696	3,131,117

The amounts recognised in the income statement are as follows:

	The Group	
	2017	**2016**
	$'000	**$'000**
Pension schemes	41,140	36,063
Other post-employment benefits	349,670	318,156
	390,810	354,219

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

	The Group	
	2017	**2016**
	$'000	**$'000**
Pension schemes	(175,451)	(25,296)
Other post-employment benefits	758,412	(69,412)
	582,961	(94,708)

35. Post-employment Benefits (Continued)

(a) Pension schemes

The Company's subsidiaries have established the following pension schemes covering all permanent employees. The assets of funded plans are held independently of the Group's assets in separate trustee administered funds. All the Group's pension schemes are approved and regulated by the Financial Services Commission.

National Commercial Bank Staff Pension Fund 1986

This is a defined benefit scheme, which comprises the following pension funds which were merged on September 30, 1999:

- National Commercial Bank Staff Pension Fund 1975 (NCB 1975 Fund)
- National Commercial Bank Staff Pension Fund 1986 (NCB 1986 Fund)
- Mutual Security Bank Superannuation Scheme (MSB Fund)
- Computer Service and Programming Limited Pension Fund (CSP Fund)

Members' rights under each of the funds as at the date of merger were fully preserved in the NCB 1986 Fund and members of the merged funds receive pension benefits from the NCB 1986 Fund in respect of service up to the date of merger. The scheme was closed to new members effective October 1, 1999.

National Commercial Bank Staff Pension Fund 1999

This is a defined contribution scheme which is funded by payments from employees and by the relevant companies. Group companies contribute an amount equivalent to 5% of employees' salary to the scheme each pay cycle and employees may contribute 5% to 15%.

Advantage General Insurance Company Limited Superannuation Fund

The Group's subsidiary, Advantage General Insurance Company Limited (AGIC), sponsors a defined benefit pension scheme, which is open to all its employees who have satisfied certain minimum service requirements, and is managed by NCB Insurance Company Limited. Retirement and other benefits are based on average salary for the last three years of pensionable service. The scheme is funded by employee contributions at rates of either 5% or 10% of salary and employer contributions as recommended by the actuary consequent on triennial funding reviews.

The amounts recognised in the statement of financial position in respect of defined benefit pension schemes are as follows:

	2017		2016	
	The Bank	**AGIC**	**The Bank**	**AGIC**
	$'000	**$'000**	**$'000**	**$'000**
Present value of funded obligations	23,304,895	884,946	18,797,371	897,371
Fair value of plan assets	(29,107,197)	(1,007,304)	(24,390,232)	(854,076)
(Over)/under – funded obligations	(5,802,302)	(122,358)	(5,592,861)	43,295
Limitation on pension assets	5,802,302	-	5,592,861	-
	-	(122,358)	-	43,295

No asset has been recognised in relation to the Bank's defined benefit scheme as, under the rules of the scheme, the employer would not benefit from any surplus on the winding up of the scheme. No additional current service cost has been incurred since closure of the scheme and the employer only makes a nominal contribution.

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35. Post-employment Benefits (Continued)

(a) Pension schemes (continued)

The schemes are valued by independent actuaries annually using the projected unit credit method; the latest such valuation being carried out as at September 30, 2017 for the Bank's scheme and at August 31, 2017 for the AGIC scheme.

The movement in the defined benefit obligation is as follows:

	2017		2016	
	The Bank	AGIC	The Bank	AGIC
	$'000	$'000	$'000	$'000
At beginning of year	18,797,371	897,371	16,226,090	746,167
Employee's contributions	-	34,592	-	30,439
Service cost	-	30,340	-	24,895
Interest cost	1,640,393	81,228	1,416,172	67,126
Remeasurements:				
Experience losses	4,008,701	8,358	2,136,790	54,071
Gains from changes in financial assumptions	-	(133,297)	-	-
Benefits paid	(1,141,570)	(33,647)	(981,681)	(25,327)
At end of year	23,304,895	884,946	18,797,371	897,371

The movement in the fair value of plan assets is as follows:

	2017		2016	
	The Bank	AGIC	The Bank	AGIC
	$'000	$'000	$'000	$'000
At beginning of year	24,390,232	854,076	20,529,745	684,631
Interest on plan assets	2,143,750	78,424	1,803,501	62,558
Remeasurement - return on plan assets, excluding amounts included in interest on plan assets	3,714,785	50,512	3,038,667	79,368
Contributions	-	65,934	-	59,446
Administration fees	-	(7,995)	-	(6,600)
Benefits paid	(1,141,570)	(33,647)	(981,681)	(25,327)
At end of year	29,107,197	1,007,304	24,390,232	854,076

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35. Post-employment Benefits (Continued)

(a) Pension schemes (continued)

The amounts recognised in the income statement are as follows:

	2017		2016	
	The Bank	AGIC	The Bank	AGIC
	$'000	$'000	$'000	$'000
Current service cost	-	30,340	-	24,895
Administration fees	-	7,995	-	6,600
Net interest expense	-	2,804	-	4,568
Total, included in staff costs	-	41,140	-	36,063

The amounts recognised in other comprehensive income are as follows:

	2017		2016	
	The Bank	AGIC	The Bank	AGIC
	$'000	$'000	$'000	$'000
Loss/(gain) on present value of funded obligations	4,008,702	(124,939)	2,136,789	54,072
Gain on fair value of plan assets	(3,714,785)	(50,512)	(3,038,667)	(79,368)
Change in effect of asset ceiling	(293,917)	-	901,878	-
Net gain	-	(175,451)	-	(25,296)

Plan assets for the Bank's defined benefit pension scheme are comprised as follows:

	2017		2016	
	$'000	%	$'000	%
Debt securities	13,004,469	44.68	13,878,726	56.90
Equity securities	13,666,272	46.95	8,043,613	32.98
Real estate	2,391,721	8.37	2,316,565	9.50
Other	44,735	0.15	151,328	0.62
	29,107,197	100.00	24,390,232	100.00

These plan assets included:

- Ordinary stock units of the Company with a fair value of $4,189,409,000 (2016 – $2,646,804,000).
- Repurchase obligations, promissory notes and lease obligations of the Group aggregating $162,407,000 (2016 – $140,000,000)
- Properties occupied by the Group with a fair value of $493,166,000 (2016 - $565,266,000).

35. Post-employment Benefits (Continued)

(a) Pension schemes (continued)

Plan assets for AGIC's defined benefit pension scheme are comprised as follows:

	2017		2016	
	$'000	%	$'000	%
Debt securities	614,026	60.96	455,680	53.35
Equity securities	299,383	29.72	248,524	29.10
Real estate and other	93,895	9.32	149,872	17.55
	1,007,304	100.00	854,076	100.00

Expected contributions to the Bank's and AGIC's defined benefit pension schemes for the year ending September 30, 2018 are nil and $33,600,000 respectively.

The principal actuarial assumptions used are as follows:

	2017		2016	
	The Bank	AGIC	The Bank	AGIC
Discount rate	9.00%	9.00%	9.00%	9.00%
Future salary increases	7.00%	7.00%	6.00%	6.00%
Future pension increases	4.00%	-	4.00%	2.50%

Post-employment mortality for active members and mortality for pensioners is based on the 1994 Group Annuity Mortality tables (GAM (94) (U.S. mortality tables) with no age setback.

The average duration of the defined benefit pension obligation at September 30, 2017 is 11 years (2016 – 11.5 years) for the Bank's defined benefit scheme and 16.6 years (2016 – 18.3 years) for AGIC's scheme.

35. Post-employment Benefits (Continued)

(a) Pension schemes (continued)

The sensitivity of the defined benefit pension obligation to changes in the principal assumptions is as follows:

The Bank

	Increase/(decrease) in defined benefit obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
		$'000	**$'000**
Discount rate	1%	(2,235,847)	2,677,266
Future salary increases	1%	127,120	(120,746)
Future pension increases	1%	2,381,287	(2,042,573)
Life expectancy	1 year	624,000	(586,000)

AGIC

	Increase/(decrease) in defined benefit obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
		$'000	**$'000**
Discount rate	1%	(124,121)	161,488
Future salary increases	1%	80,408	(68,511)
Life expectancy	1 year	12,000	(12,500)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

35. Post-employment Benefits (Continued)

(b) Other post-employment benefits

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

In addition to the assumptions used for pension schemes, the main actuarial assumption is a long-term increase in health costs of 1.5 percentage points above CPI per year (2016 – 1.5 percentage points above CPI).

The average duration of the other post-employment benefits obligation at September 30, 2017 is 19.1 years for the Bank and 20.5 years for AGIC.

The amounts recognised in the statement of financial position are as follows:

	The Group	
	2017	**2016**
	$'000	**$'000**
Present value of unfunded obligations	4,143,054	3,087,822

The movement in the defined benefit obligation is as follows:

	The Group	
	2017	**2016**
	$'000	**$'000**
At beginning of the year	3,087,822	2,879,352
Service cost	73,704	71,725
Interest cost	275,966	256,339
Remeasurements:		
Experience losses	31,537	(45,628)
Demographic assumptions	52,279	(23,785)
Losses from changes in financial assumptions	674,597	-
Additional liability recognised in respect of prior year	-	(9,908)
Benefits paid	(52,851)	(40,273)
At end of year	4,143,054	3,087,822

The amounts recognised in the income statement are as follows:

	The Group	
	2017	**2016**
	$'000	**$'000**
Service cost	73,704	71,725
Net interest expense	275,966	256,339
Additional liability recognised in respect of prior year	-	(9,908)
Total, included in staff costs (Note 11)	349,670	318,156

35. Post-employment Benefits (Continued)

(b) Other post-employment benefits (continued)

The sensitivity of the other post-employment benefit obligation to changes in the principal assumptions is as follows:

The Bank	**Increase/(decrease) in obligation**		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
		$'000	**$'000**
Discount rate	1%	(625,840)	814,909
Medical cost inflation	1%	799,984	(626,412)
Life expectancy	1 year	139,270	(139,270)

AGIC	**Increase/(decrease) in obligation**		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
		$'000	**$'000**
Discount rate	1%	(39,427)	51,789
Medical cost inflation	1%	50,685	(39,355)
Life expectancy	1 year	6,300	(7,100)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

(c) Risks associated with pension plans and post-employment schemes

Through its defined benefit pension and other post-employment benefit schemes, the Group is exposed to a number of risks, the most significant of which are detailed below. The Group does not use derivatives to manage its plan risk. Investments are well diversified, such that failure of any single investment would not have a material impact on the overall level of assets.

Asset volatility risk

The schemes' liabilities are calculated using a discount rate set with reference to Government of Jamaica bond yields; if the schemes' assets underperform this yield, this will create a deficit.

Interest rate risk

The schemes' liabilities are calculated using a discount rate set with reference to Government of Jamaica bond yields. A decrease in Government of Jamaica bond yields will increase the schemes' liabilities, although this will be partially offset by an increase in the value of the schemes' fixed-rate bond holdings.

Salary risk

The present values of the defined benefit schemes' liabilities are calculated by reference to the future salaries of participants. As such, an increase in the salaries of participants will increase the schemes' liabilities.

Longevity risk

The majority of the schemes' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the schemes' liabilities.

36. Other Liabilities

	The Group		The Company
	2017	2016	2017
	$'000	$'000	$'000
Accrued staff benefits	3,445,276	2,290,602	29,968
Due to customers, merchants and clients	6,920,334	3,077,684	
Accrued other operating expenses	2,312,276	1,238,787	586,045
Due to Government	228,209	502,170	52,581
Other	856,149	989,171	
	13,762,244	8,098,414	668,594

37. Share Capital

	2017	2016
	$'000	$'000
Authorised - unlimited		
Issued and fully paid up –		
2,466,762,828 ordinary stock units of no par value	153,827,330	-
5,293,916 ordinary stock units held by NCB Employee Share Scheme	(330,129)	-
Issued and outstanding	153,497,201	-
Reorganisation reserve	-	6,462,343

The share capital of $153,827,330,000 is based on the Jamaica Stock Exchange market capitalisation value of the Bank immediately preceding the Scheme of Arrangement. This represents the best estimate of consideration exchanged by the Company. The negative reserves of $147,034,858,00 arising on the consolidation of the Group is accounted for in capital reserves, representing the difference between the the value for share capital recognised and the previous carrying value of the share capital in the financial statements of the Company. (Note 38).

The NCB Employee Share Scheme was established in 1986 to acquire certain shares of NCB Group Limited, the then holding company for the Group, for the beneficial interest of eligible employees. The scheme holds 5.3 million units of the Company's ordinary stock that have not been reissued to staff and are accounted for as treasury shares. The scheme, which is included in the consolidated financial statements, is currently dormant.

38. Fair Value and Capital Reserves

	The Group	
	2017	2016
	$'000	$'000
Fair value reserve	4,619,180	4,112,552
Capital reserve	(142,057,471)	4,711,799
	(137,438,291)	8,824,351
Capital reserve comprises:		
Realised –		
Surplus on revaluation of property, plant and equipment	92,991	92,991
Retained earnings capitalised	98,167	98,167
Share redemption reserve	1,077,382	1,077,382
Unrealised –		
Translation reserve	2,576,684	2,362,748
Reserve from the scheme of arrangement	(147,034,858)	-
Surplus on revaluation of property, plant and equipment	142,963	142,963
Share of movement in reserves of associate	534,416	482,764
Other	454,784	454,784
	(142,057,471)	4,711,799

39. Loan Loss Reserve

This is a non-distributable reserve representing the excess of the provision for credit losses determined using the Bank of Jamaica's regulatory requirements over the amount determined under IFRS (Note 21).

40. Banking Reserve Fund

This fund is maintained in accordance with the Banking Services Act, 2014, which requires that a minimum of 15% of the net profits, as defined by the Act, of the Bank be transferred to the reserve fund until the amount of the fund is equal to 50% of the paid-up capital of the Bank and thereafter 10% of the net profits until the amount of the fund is equal to the paid-up capital of the Bank. The amount of the fund has surpassed the paid-up capital of the Bank and therefore no further mandatory transfers were required.

The Financial Institutions Act, 2008, which is applicable for the Group's regulated subsidiary in Trinidad and Tobago, requires that a minimum of 10% of the profit for the year in each period be transferred to a statutory reserve account until the balance on this reserve is not less than the paid-up capital.

41. Retained Earnings Reserve

The Banking Services Act 2014 permits the transfer of any portion of the Bank's net profit to a retained earnings reserve. This reserve constitutes a part of the capital base and regulatory capital of the Bank.

42. Cash Flows from Operating Activities

	Note	The Group	
		2017	**2016**
		$'000	**$'000**
Net profit		19,107,818	14,448,560
Adjustments to reconcile net profit to net cash flow provided by operating activities:			
Depreciation	27	1,297,062	1,121,808
Amortisation of intangible assets	26	1,062,212	777,607
Share of after tax profits of associates	24	(2,850,700)	(832,480)
Provision for credit losses	21	729,234	612,355
Interest income	6	(42,837,213)	(39,156,349)
Interest expense	6	13,077,544	11,032,579
Income tax expense	14	4,901,510	4,479,992
Unrealised exchange losses on securitisation arrangements		570,743	3,458,209
Amortisation of upfront fees on securitisation arrangements		207,951	111,088
Unrealised exchange losses on other borrowed funds		26,209	426,081
Change in post-employment benefit obligations	35	390,810	354,219
Foreign exchange gains		(2,807,457)	(2,097,424)
Gain on disposal of property, plant and equipment and intangible assets		(53,502)	(12,944)
Fair value gains on investment property	25	(100,211)	(43,000)
Fair value losses on derivative financial instruments		129,972	230,380
Changes in operating assets and liabilities:			
Statutory reserves at Central Bank		(9,190,259)	(6,585,047)
Pledged assets included in due from banks		333,183	(494,733)
Restricted cash included in due from banks		(3,493,509)	235,357
Reverse repurchase agreements		806,557	(1,037,593)
Loans and advances		(29,314,355)	(24,425,321)
Customer deposits		14,575,878	46,176,913
Repurchase agreements		9,670,207	6,034,623
Liabilities under annuity and insurance contracts		902,667	593,379
Other		5,880,706	(2,437,853)
		(36,084,761)	(1,478,154)
Interest received		41,627,242	39,265,488
Interest paid		(12,796,873)	(11,032,398)
Income tax paid		(7,982,772)	(5,529,381)
		(15,237,164)	21,225,555
Net cash provided by operating activities		3,870,654	35,674,115

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43. Related Party Transactions and Balances

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions. Related party transactions are in the ordinary course of business. The volumes of related party transactions, outstanding balances at the year end and related expenses and income for the year are as follows:

	The Group							
	Parent and companies controlled by major shareholder		Associated companies of the group		Directors and key management personnel (and their families)		Companies controlled by directors and related by virtue of common directorship	
	2017	2016	2017	2016	2017	2016	2017	2016
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Loans and advances								
Balance at September 30	-	43,403	668,603	853,907	219,759	204,051	1,057,573	1,083,484
Interest income earned	-	2,358	67,260	90,265	8,732	9,627	85,295	107,735
Investment securities								
Balance at September 30	-	-	-	-	-	-	-	-
Interest income earned	-	12,348	-	-	-	-	-	-
Reverse repurchase agreements								
Balance at September 30	-	-	843,000	1,018,828	-	-	-	-
Interest income earned	-	-	10,444	4,537	-	-	-	-
Other assets								
Balance at September 30	-	-	-	1,096	-	-	185,000	96,013
Fee and commission income	10,843	5,080	17,465	21,194	3,216	960	13,601	5,457
Other operating income	-	9,581	-	-	15,000	-	721,660	407,472
Dividend income	-	-	1,079,451	434,978	-	-	13,220	30,312

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43. Related Party Transactions and Balances (Continued)

	The Group (Continued)							
	Parent and companies controlled by major shareholder		Associated companies of the group		Directors and key management personnel (and their families)		Companies controlled by directors and related by virtue of common directorship	
	2017	2016	2017	2016	2017	2016	2017	2016
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Customer deposits								
Balance at September 30	463,007	378,809	2,676,497	2,370,142	211,367	195,413	646,886	1,694,033
Interest expense	335	319	7,329	12,083	751	865	430	7,432
Repurchase agreements								
Balance at September 30	175,227	86,198	1,000,082	350,000	654,807	752,727	163,277	512,399
Interest expense	2,601	7,448	24,726	5,736	10,223	6,445	2,637	13,272
Borrowed Funds								
Balance at September 30	-	-	-	-	387,212	-	43,790	-
Interest expense	-	-	-	-	3,046	-	356	-
Other liabilities								
Balance at September 30	-	-	-	-	77,023	18,443	160	824
Operating expenses	49,764	46,744	5,028	4,928	30,848	14,224	749,727	565,786

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43. Related Party Transactions and Balances (Continued)

	The Company		
	Parent, subsidiaries and companies controlled by major shareholder	Directors and key management personnel (and their families)	Companies controlled by directors and related by virtue of common directorship
	2017	2017	2017
	$'000	$'000	$'000
Loans and advances			
Balance at September 30	9,591,511	-	-
Interest income earned	12,327	-	-
Deposits with related party			
Balance at September 30	30,093,874		
Interest income earned (Deposits)	370,540	-	-
Other assets			
Balance at September 30	1,761,219	-	-
Fee and commission income	3,864,750		
Dividend income	4,369,900	-	-
Borrowed funds			
Balance at September 30	54,827,939	387,212	43,790
Interest expense on Borrowings	2,092,228	3,046	356
Other liabilities			
Balance at September 30	31,079	-	-
Operating Expenses	6,223	1,271	6,011

43. Related Party Transactions and Balances (Continued)

	The Group		The Company
	2017	2016	2017
	$'000	$'000	$'000
Key management compensation:			
Salaries and other short-term benefits	1,262,516	803,095	539,785
Post-employment benefits	53,330	41,201	4,883
	1,315,846	844,296	544,668
Directors' emoluments:			
Fees	30,960	27,909	9,631
Management remuneration	638,784	350,458	419,421

44. Financial Risk Management

The Group takes an enterprise-wide approach to the identification, measurement, monitoring, reporting and management of all its risks. The principal financial risks faced by the organisation are identified as: credit, market, interest rate and liquidity risks.

The Group's risk management framework guides its risk-taking activities and ensures that it is in conformity with regulatory requirements, applicable laws, the Board's risk appetite, stockholders' expectations and standards of best practice. The framework incorporates a comprehensive risk governance structure and appropriate policies and procedures.

Risk Governance Structure

The Group's risk governance structure seeks to manage risk/reward by ensuring that revenue-generation activities are compliant with the Group's standards and risk tolerance, while maximising long term shareholder value. The Group's comprehensive risk governance structure incorporates: (a) oversight effected through the Board, Board committees and relevant management committees, (b) administrative controls effected through the establishment of policies, and (c) organisational controls effected through segregation of duties. These controls are reviewed on an ongoing basis to ensure that they provide effective governance of the Group's risk-taking activities.

44. Financial Risk Management (Continued)

Risk limits and benchmarks are integral to the risk management process, as they characterise the Board's risk tolerance and also that of the Regulator. Limits are established for:

(i) Credit and Counterparty risk - exposures to individuals, group, counterparty, country;
(ii) Market risk - rate gap exposure, currency exposure, market value exposure; and
(iii) Liquidity risk - liquidity gaps, funding exposures/liability diversification and liquid assets levels.

Limits and benchmarks are monitored on an ongoing basis and reported to the relevant governance committees.

Policies & Procedures
Rigorous policies and operational procedures are established throughout the organisation and are approved by the relevant management personnel and/or governance committees.

These policies and procedures incorporate requirements for compliance monitoring, maintenance of contingency plans and the provision of reports to management and the relevant governance committees and/ or the Board of Directors.

(a) Credit risk
This is defined as potential for loss to the organisation arising from failure of a borrower, guarantor or counterparty to honour their contractual obligations to the Group.

The Group incurs credit and counterparty risk primarily in its loan business, reverse repurchase arrangements, and certain investment activities. There is also credit risk in off-statement of finanical position financial instruments, such as loan commitments. Credit risk management is facilitated by a cadre of loans officers and credit risk personnel, who together operate within a control framework which employs a hierarchical level of authorisations for transactions that expose the organisation to credit risk. Operating practices include the establishment of limits, ongoing monitoring of credit risk exposures, a disciplined approach to provisioning and loan loss evaluation in addition to ongoing reporting of portfolio exposures to the relevant governance committees and the regulators.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position.

Credit-related commitment risks arise from guarantees which may require payment on behalf of customers. Such payments are collected from customers based on the terms of the letters of credit. They expose the Group to risks similar to loans and these are mitigated by the same control policies and processes.

Credit review process
The Group has established a credit quality review process involving regular analysis of the ability of borrowers and other counterparties to meet interest and capital repayment obligations.

The Group employs the following classifications in assessing its exposures to its borrowing customers. The classifications are in line with the Central Bank regulations.

Standard
Special Mention
Sub-Standard
Doubtful
Loss

Exposure to credit risk is mitigated by the taking of financial or physical assets.

44. Financial Risk Management (Continued)

(a) Credit risk (continued)

Collateral and other credit enhancements

The amount and type of collateral required depend on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of different types of collateral.

The main types of collateral obtained are as follows:

(i) Loans - mortgages over residential properties, charges over business assets such as premises, inventory and accounts receivable and charges over financial instruments such as debt securities.

(ii) Securities lending and reverse repurchase transactions – cash or securities.

The Group may also obtain guarantees from parent companies for loans to their subsidiaries.

Collateral values are monitored with a view to requesting additional collateral where market values are compromised or the terms in the loan agreements dictate.

Impairment loss provision methodology

Provisions for impairment losses are assessed under three categories as described below:

Sub-standard, Doubtful or Loss rated loans

The Group identifies substandard, doubtful or loss rated loans as determined by Bank of Jamaica Regulations. The calculated provision is adjusted by the future cash flow from the realisation of the related collateral.

Individually Significant, Standard and Special Mention loans

Individually significant loans are reviewed to determine whether the loans show objective evidence of impairment and to determine the extent of provision required. Impairment may be determined through assessment of a number of factors, which include:

(i) Any significant financial difficulty being experienced by the borrower.
(ii) Breach of contract, such as default term, delinquency in principal and interest.
(iii) High probability of bankruptcy or other financial reorganisation by the borrower.

Collectively assessed provisions

All loans, excluding those that are impaired, are assessed on a portfolio basis where possible, in order to reflect the homogenous nature of the loans. The provision is determined by a quantitative review of the respective portfolios.

44. Financial Risk Management (Continued)

(a) Credit risk (continued)

The tables below show the loans and the associated impairment provision for each internal rating class:

	The Group			
	2017		2016	
	Loans $'000	Impairment provision $'000	Loans $'000	Impairment provision $'000
Standard	210,739,900	1,226,500	180,879,221	933,903
Special Mention	3,387,679	17,572	4,305,083	19,029
Sub-Standard	1,782,341	380,360	1,658,477	658,037
Doubtful	586,677	441,660	964,421	380,668
Loss	4,358,102	1,593,434	4,585,304	1,790,618
	220,854,699	3,659,526	192,392,506	3,782,255

	The Company	
	2017	
	Loans $'000	Impairment provision $'000
Standard	9,579,184	-
Special Mention	-	-
Sub-Standard	-	-
Doubtful	-	-
Loss	-	-
	9,579,184	-

44. Financial Risk Management (Continued)

(a) Credit risk (continued)

The credit quality of loans is summarised as follows:

	The Group		The Company
	2017 $'000	2016 $'000	2017 $'000
Unimpaired	217,670,452	187,682,316	9,579,184
Impaired	3,184,247	4,710,190	-
Gross	220,854,699	192,392,506	9,579,184
Less: provision for credit losses	(3,659,526)	(3,782,255)	-
Net	217,195,173	188,610,251	9,579,184

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

	The Group		The Company
	2017 $'000	2016 $'000	2017 $'000
Less than 30 days	57,851,236	35,472,598	-
31 to 60 days	1,965,450	2,955,506	-
61 to 90 days	1,378,399	1,534,733	-
Greater than 90 days	2,249,068	1,370,999	-
	63,444,153	41,333,836	-

Of the aggregate amount of gross past due but not impaired loans, $44,870,991,000 was secured as at September 30, 2017 (2016 – $26,123,838,000).

Restructured loans

Restructuring activities include extended payment arrangements, approved external management plans, and modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans.

44. Financial Risk Management (Continued)

(a) Credit risk (continued)

Restructured loans (continued)

The determination of whether a loan would qualify for renegotiation is made only if all factors indicate that the borrower is able to repay in full (including interest). In making this assessment, the Group takes its historic experience with the borrowers, their expected future cash flows, collateral valuations and any guarantees into consideration. Therefore, at the time of modification, all renegotiated loans are interest bearing with interest being calculated using the terms of the modified loan.

All renegotiated loans are individually assessed for impairment as the active renegotiation of a loan as a result of borrower difficulty, as defined in paragraph 59(c) of IAS 39, is considered a trigger for determining whether the loan should be tested for impairment. In carrying out its assessment, the Group uses the same methodology as with any other loan in the portfolio that exhibits other objective evidence of impairment. These loans are, however, actively monitored for at least 12 months from the time of renegotiation to determine whether circumstances have changed that would result in the loan being impaired or whether there should be an increase in the current level of impairment.

Credit risk exposure

The table below represents a worst case scenario of credit risk exposure of the Group and the Company at the date of the statement of financial position, without taking account of any collateral held or other credit enhancements. For on-statement of financial position assets, the exposures set out below are based on net carrying amounts as reported in the statement of financial position.

	The Group		The Company
	2017	**2016**	**2017**
	$'000	**$'000**	**$'000**
Credit risk exposures relating to on-statement of financial position assets:			
Balances with Central Bank	60,785,252	30,704,768	-
Due from banks	41,210,873	45,949,625	30,093,874
Derivative financial instruments	205,984	276,429	-
Investment securities at fair value through profit or loss	3,477,861	2,424,789	-
Reverse repurchase agreements	2,861,218	2,810,257	-
Loans and advances, net of provision for credit losses	218,615,226	189,055,786	9,591,511
Investment securities classified as available-for-sale and loans and receivables	289,408,504	269,508,441	-
Customers' liability – letters of credit and undertaking	1,971,727	2,201,599	-
Other assets	6,678,940	7,197,603	5,225,612
	625,215,585	550,129,297	44,910,997
Credit risk exposures relating to off-statement of financial position items:			
Credit commitments	47,183,147	41,679,159	-
Acceptances, guarantees and indemnities	9,711,400	5,726,390	-
	56,894,547	47,405,549	-

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44. Financial Risk Management (Continued)

(a) Credit risk (continued)

Credit exposures

(i) Loans

The majority of loans are made to customers in Jamaica. The following table summarises the credit exposure for loans at their carrying amounts, as categorised by the industry sectors:

	The Group		The Company
	2017 $'000	2016 $'000	2017 $'000
Agriculture	5,149,081	6,702,315	-
Public Sector	8,253,799	7,814,063	-
Construction and land development	7,102,971	8,588,972	-
Other financial institutions	732,970	1,038,793	9,579,184
Distribution	24,712,100	18,776,685	-
Electricity, water & gas	7,671,753	5,162,794	-
Entertainment	1,642,758	1,218,533	-
Manufacturing	7,481,226	6,891,818	-
Mining and processing	357,649	385,863	-
Personal	106,316,583	84,851,702	-
Professional and other services	10,340,508	6,670,619	-
Tourism	33,913,415	29,264,947	-
Transportation storage and communication	1,534,273	3,463,863	-
Overseas residents	5,645,613	11,561,539	-
Total	220,854,699	192,392,506	9,579,184
Total provision	(3,659,526)	(3,782,255)	-
	217,195,173	188,610,251	9,579,184
Interest receivable	1,420,053	445,535	12,327
Net	218,615,226	189,055,786	9,591,511

(ii) Debt securities

The following table summarises the credit exposure for debt securities at their carrying amounts, as categorised by issuer:

	The Group	
	2017 $'000	2016 $'000
Government of Jamaica and Bank of Jamaica	231,365,241	223,112,935
Government of Jamaica guaranteed corporate bonds	6,941,449	8,784,602
Other corporate bonds	40,646,821	28,590,489
Foreign governments	9,866,583	7,707,720
	288,820,094	268,195,746
Interest receivable	4,066,271	3,737,481
	292,886,365	271,933,227

44. Financial Risk Management (Continued)

(b) Liquidity risk

The Group's liquidity risk policy is designed to ensure that it can meet cash obligations when they fall due and take advantage of unanticipated earnings enhancement opportunities.

Liquidity management within the Group, which incorporates funding risk management, ensures that there is a sufficient level of liquid assets available in addition to stable funding lines to meet ongoing cash commitments even during periods of stress. The management of liquidity risk is executed within a framework which comprises:

(i) Oversight by relevant governance committees;

(ii) Daily management of liquidity by the relevant treasury/investment units within each group company;

(iii) Use of tools to measure the organisation's exposures;

(iv) Establishment and monitoring of limits/benchmarks for maturity mismatches and funding concentrations;

(v) Diversification of funding sources;

(vi) Maintenance of committed lines of credits; and

(vii) Monitoring of adherence to regulatory ratios.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month, respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The matching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group's liquidity exposure. It is unusual for companies ever to be completely matched since business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of loss.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

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44. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Cash flows of financial liabilities

The tables below present the contractual maturities of undiscounted cash flows (both interest and principal cash flows) of the financial assets (expected) and liabilities (contractual and expected) based on the remaining period.

	The Group					
	Within 1 Month $'000	2 to 3 Months $'000	4 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Total $'000
As at September 30, 2017:						
Due to Banks	3,712,517	120,883	5,928,635	2,141,480	-	11,903,515
Customer deposits	273,695,960	15,323,673	36,659,208	3,517,969	149,204	329,346,014
Repurchase agreements	44,506,785	42,202,235	21,032,832	9,324,555	-	117,066,407
Obligations under securitisation arrangements	2,893,607	1,384,160	10,342,109	54,972,776	12,146,783	81,739,435
Other borrowed funds	69,529	1,800,916	6,368,494	32,390,026	2,304,023	42,932,988
Liabilities under annuity and insurance contracts	26,045,114	920,219	4,680,953	7,411,086	48,071,582	87,128,954
Other	12,458,108	1,128,761	719,187	-	9,014	14,315,070
Total financial liabilities (contractual maturity dates)	363,381,620	62,880,847	85,731,418	109,757,892	62,680,606	684,432,383
Total financial liabilities (expected maturity dates)	85,421,073	44,510,517	89,796,234	117,474,266	377,885,789	715,087,879
Total financial assets (expected maturity dates)	135,351,843	17,557,504	79,648,492	224,259,395	350,472,985	807,290,219

	The Group					
	Within 1 Month $'000	2 to 3 Months $'000	4 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Total $'000
As at September 30, 2016:						
Due to Banks	8,004,802	3,887,013	1,191,489	8,837,922	956,741	22,877,967
Customer deposits	228,561,576	26,114,007	28,820,608	1,548,131	876,107	285,920,429
Repurchase agreements	39,785,724	40,949,755	13,205,815	13,794,787	-	107,736,081
Obligations under securitisation arrangements	433,207	50,641	1,066,083	39,744,176	7,163,491	48,457,598
Other borrowed funds	17,877	845,592	4,800,870	7,873,106	-	13,537,445
Liabilities under annuity and insurance contracts	3,537,322	2,549,377	8,063,280	22,276,709	69,470,912	105,897,600
Other	5,737,724	863,979	153,279	-	157,816	6,912,798
Total financial liabilities (contractual maturity dates)	286,078,232	75,260,364	57,301,424	94,074,831	78,625,067	591,339,918
Total financial liabilities (expected maturity dates)	43,543,461	51,769,513	51,948,489	80,284,531	416,877,508	644,423,502
Total financial assets (expected maturity dates)	65,005,848	12,810,601	82,956,884	280,291,558	492,311,276	933,376,167

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44. Financial Risk Management (Continued)

(b) Liquidity risk (continued)
Cash flows of financial liabilities (continued)

	The Company					
	Within 1 Month	**2 to 3 Months**	**4 to 12 Months**	**1 to 5 Years**	**Over 5 Years**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
As at September 30, 2017:						
Due to banks	-	-	32,383,269	-	-	32,383,269
Customer deposits	-	-	-	-	-	-
Repurchase agreements	-	-	-	-	-	-
Obligations under securitisation arrangements	-	-	-	-	-	-
Other borrowed funds	-	544,985	2,201,849	46,632,135	4,651	49,383,620
Other	586,045	-	-	-	-	586,045
Total financial liabilities (contractual maturity dates)	586,045	544,985	34,585,118	46,632,135	4,651	82,352,934
Total financial liabilities (expected maturity dates)	586,045	544,985	34,585,118	46,632,135	4,651	82,352,934
Total financial assets (expected maturity dates)	39,323,892	4,595,528	11,239,498	-	-	55,158,918

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, central bank balances, items in the course of collection, investment securities and other eligible bills, loans and advances to banks, and loans and advances to customers. In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. In addition, debt securities and treasury and other bills have been pledged to secure liabilities. The Group is also able to meet unexpected net cash outflows by selling securities and accessing additional funding sources from other financing institutions.

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44. Financial Risk Management (Continued)

(b) Liquidity risk (continued)
Cash flows of financial liabilities (continued)

Off-statement of financial position items
The tables below show the contractual expiry by maturity of commitments.

	The Group			
	No later than 1 year $'000	**1 to 5 years $'000**	**Over 5 years $'000**	**Total $'000**
At September 30, 2017				
Credit commitments	47,183,367	-	-	47,183,367
Guarantees, acceptances and other financial facilities	7,615,283	1,346,451	749,665	9,711,400
Operating lease commitments	136,410	369,847	129,535	635,793
Capital commitments	6,715,436	-	-	6,715,436
	61,650,496	1,716,299	879,200	64,245,995
At September 30, 2016				
Credit commitments	41,679,150	-	-	41,679,150
Guarantees, acceptances and other financial facilities	3,533,130	895,230	1,298,030	5,726,390
Operating lease commitments	143,170	451,712	128,331	723,213
Capital commitments	5,738,960	-	-	5,738,960
	51,094,410	1,346,942	1,426,361	53,867,713

Capital commitments are in relation to approved expenditures for property, plant, equipment and computer software that were unused as at the end of the respective financial years either because they relate to work in progress or are awaiting the start of the project. Of the total capital commitments, planned expenditure valuing $3,192,774,000 (2016 – $2,539,919,000) for the Group has already been contracted for.

44. Financial Risk Management (Continued)

(c) Market risk

The Group takes on exposure to market risk, which is defined as the potential for loss arising from changes in the market value of the organisation's financial instruments due to changes in certain market variables, such as interest rates, foreign exchange rates, equity prices, market liquidity and credit spreads.

The Group incurs market risk primarily in treasury, trading and structural banking activities. The Group takes a comprehensive governance approach in accordance with the enterprise-wide risk management framework. This includes:

- Oversight provided by the relevant governance committees.
- An independent market risk oversight function.
- The utilisation of tools and models to measure market risk exposure.
- Limit setting mechanisms and a monitoring process.
- The utilisation of scenario analysis and of stress testing for worst case events.

There has been no change to the manner in which the Group manages and measures this risk.

(i) Currency risk

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

Foreign exchange risk occurs when the Group takes an open position in a currency. To control this exchange risk, the Group has approved limits for net open positions in each currency for both intra-day and overnight.

The Group also has transactional currency exposure. Such exposure arises from having financial assets in currencies other than those in which financial liabilities are expected to be settled. The Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign assets to address short term imbalances.

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44. Financial Risk Management (Continued)

(c) Market risk (continued)
(i) Currency risk (continued)
Concentrations of currency risk – on- and off-statement of financial position financial instruments

The tables below summarise the Group's and the Company's exposure to foreign currency exchange rate risk as at the date of the statement of financial position.

	The Group					
	J$	**US$**	**GBP**	**CAN$**	**Other**	**Total**
September 30, 2017	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets						
Cash in hand and balances at Central Banks	40,522,177	22,271,215	1,761,802	339,744	419,721	65,314,659
Due from banks	6,745,432	20,157,788	9,981,210	1,011,642	3,314,801	41,210,873
Investment securities at fair value through profit or loss	3,679,276	464,202	15,936	-	100,309	4,259,723
Reverse repurchase agreements	2,588,508	272,710	-	-	-	2,861,218
Loans and advances net of provision for credit losses	152,066,760	62,398,102	398,765	-	3,751,599	218,615,226
Investment securities classified as available-for-sale and loans and receivables	134,032,128	160,065,908	373,326	-	446,203	294,917,565
Derivative financial instruments	73,637	132,347	-	-	-	205,984
Other	4,810,437	1,718,475	93,249	-	56,779	6,678,940
Total financial assets	344,518,355	267,480,747	12,624,288	1,351,386	8,089,412	634,064,188
Liabilities						
Due to banks	1,173,043	9,122,353	180,888	47,213	23,884	10,547,381
Customer deposits	156,466,322	112,732,968	12,297,138	1,325,450	5,642,135	288,464,013
Repurchase agreements	43,626,688	71,959,902	-	-	-	115,586,590
Obligations under securitisation arrangements	-	67,499,313	-	-	-	67,499,313
Other borrowed funds	14,134,683	24,592,433	-	-	-	38,727,116
Liabilities under annuity and insurance contracts	35,509,987	675,333	-	-	-	36,185,320
Other	4,235,064	4,431,420	293,125	62,458	3,961,629	12,983,696
Total financial liabilities	255,145,787	291,013,722	12,771,151	1,435,121	9,627,648	569,993,429
Net on-statement of financial position	89,372,568	(23,532,975)	(146,863)	(83,735)	(1,538,236)	64,070,759
Guarantees, acceptances and other financial facilities	3,671,556	5,895,948	1,246	142,649	-	9,711,399
Credit commitments	28,957,378	18,225,939	-	-	-	47,183,367

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44. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Concentrations of currency risk – on- and off-statement of financial position financial instruments (continued)

	The Group					
	$	US$	GBP	CAN$	Other	Total
September 30, 2016	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets						
Cash in hand and balances at Central Banks	20,020,047	13,673,484	1,210,948	212,086	256,576	35,373,141
Due from banks	5,266,378	28,951,000	8,441,532	1,236,729	2,053,986	45,949,625
Investment securities at fair value through profit or loss	1,377,256	1,627,186	12,667	-	102,764	3,119,873
Reverse repurchase agreements	1,105,785	1,704,472	-	-	-	2,810,257
Loans and advances net of provision for credit losses	95,735,645	89,843,780	-	-	3,476,361	189,055,786
Investment securities classified as available-for-sale and loans and receivables	128,061,725	141,383,245	2,089,730	495,558	519,409	272,549,667
Derivative financial instruments	203,609	72,820	-	-	-	276,429
Other	3,798,739	3,307,738	15,430	-	75,696	7,197,603
Total financial assets	255,569,184	280,563,725	11,770,307	1,944,373	6,484,792	556,332,381
Liabilities						
Due to banks	975,304	12,147,281	83,819	44,671	22,383	13,273,458
Customer deposits	133,612,817	123,882,012	10,701,495	1,684,918	4,084,646	273,965,888
Repurchase agreements	38,866,894	67,108,044	-	-	-	105,974,938
Obligations under securitisation arrangements	-	48,457,598	-	-	-	48,457,598
Other borrowed funds	4,237,328	7,823,826	-	-	-	12,061,154
Liabilities under annuity and insurance contracts	34,675,370	607,283	-	-	-	35,282,653
Other	5,083,515	1,281,144	234,600	39,840	138,190	6,777,289
Total financial liabilities	217,451,228	261,307,188	11,019,914	1,769,429	4,245,219	495,792,978
Net on-balance sheet position	38,117,956	19,256,537	750,393	174,944	2,239,573	60,539,403
Guarantees, acceptances and other financial facilities	1,649,529	3,940,380	1,195	975	134,311	5,726,390
Credit commitments	26,804,089	14,875,061	-	-	-	41,679,150

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44. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Concentrations of currency risk–on- and off-balance sheet financial instruments (continued)

	The Company			
	J$	**US$**	**Other**	**Total**
September 30, 2017	**$'000**	**$'000**	**$'000**	**$'000**
Assets				
Due from banks	20,669,702	9,424,172	-	30,093,874
Loans and advances net of provision for credit losses	9,591,511	-	-	9,591,511
Other	1,761,219	3,464,393	-	5,225,612
Total financial assets	32,022,432	12,888,565	-	44,910,997
Liabilities				
Due to banks	-	29,403,477	2,060,872	31,464,349
Other borrowed funds	10,323,062	30,113,500	-	40,436,561
Other	304,125	281,920	-	586,045
Total financial liabilities	10,627,187	59,798,897	2,060,872	72,486,955
Net on-balance sheet position	21,395,245	(46,910,332)	(2,060,872)	(27,575,958)

44. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Concentrations of currency risk – on- and off-balance sheet financial instruments (continued)

Foreign currency sensitivity

The following table indicates the currencies to which the Group and the Company have significant exposures on its monetary assets and liabilities and its forecast cash flows. The change in currency rates below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents the outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for changes in foreign currency rates. The sensitivity analysis includes loans and advances to customers, investment securities and deposits. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in each variable, variables had to be considered on an individual basis. It should be noted that movements in these variables are non-linear.

There was no effect on other comprehensive income.

	2017			2016	
	% Change in Currency Rate	Effect on Profit before Taxation		% Change in Currency Rate	Effect on Profit before Taxationbuth
		The Group	The Company		The Group
		$'000	$'000		$'000
Currency:					
USD	2% Appreciation	470,659	938,207	1% Appreciation	(192,565)
	6% Depreciation	(1,411,978)	(2,814,620)	6% Depreciation	1,155,392
GBP	2% Appreciation	2,937	-	1% Appreciation	(7,504)
	6% Depreciation	(8,812)	-	6% Depreciation	45,024
CAN	2% Appreciation	1,675	-	1% Appreciation	(1,749)
	6% Depreciation	(5,024)	-	6% Depreciation	10,497

(ii) Interest rate risk

Interest rate risk arises when the Group's principal and interest cash flows from on and off statement of financial position items have mismatched repricing dates. The short term impact is experienced on the Group's net interest income and long term impact is felt on its equity.

The Group incurs interest rate mismatches from its interest bearing assets and liabilities with the size of such exposure being heavily dependent on the direction and degree of interest rate movements in addition to the size and maturity structure of the mismatched position. The Group's policy requires that such mismatches are managed. Accordingly, the Board requires that a comprehensive system of limits, gap analysis and stress testing be used to manage the Group's exposure.

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

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44. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

The Group's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. Limits are established and monitored with respect to the level of mismatch of interest rate repricing that may be undertaken.

The following tables summarise the exposure to interest rate risk. It includes the financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	The Group						
	Within 1 Month	2 to 3 Months	4 to 12 Months	1 to 5 Years	Over 5 Years	Non-Interest Bearing/No Specific Maturity Date	Total
September 30, 2017	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets							
Cash in hand and balances at Central Banks	-	-	-	-	-	65,314,659	65,314,659
Due from banks	27,372,378	-	4,653,315	-	-	9,185,180	41,210,873
Investment securities at fair value through profit or loss	-	-	-	308,189	1,207,725	2,743,809	4,259,723
Reverse repurchase agreements	1,372,456	1,472,859	-	-	-	15,903	2,861,218
Loans and advances net of provision for credit losses	121,209,466	23,122,317	11,433,005	29,735,288	31,873,131	1,242,019	218,615,226
Investment securities classified as available-for-sale and loans and receivables	49,949,869	31,632,740	15,753,061	65,317,038	122,640,290	9,624,567	294,917,565
Derivative financial instruments	-	-	-	-	-	205,984	205,984
Other	-	-	-	-	-	6,678,940	6,678,940
Total financial assets	199,904,169	56,227,916	31,839,381	95,360,515	155,721,146	95,011,061	634,064,188
Liabilities							
Due to banks	2,280,547	-	2,896,661	1,938,014	-	3,432,159	10,547,381
Customer deposits	194,937,438	15,270,937	35,583,651	3,266,146	-	39,405,841	288,464,013
Repurchase agreements	43,761,551	41,695,290	20,538,962	9,081,662	-	509,125	115,586,590
Obligations under securitisation arrangements	1,401,149	1,076,675	7,558,163	45,761,515	10,956,296	745,515	67,499,313
Other borrowed funds	1,553,586	13,988,044	1,606,740	19,562,044	1,652,535	364,167	38,727,116
Liabilities under annuity and insurance contracts	25,054,849	143,805	716,717	-	-	10,269,949	36,185,320
Other	-	-	-	-	-	12,983,696	12,983,696
Total financial liabilities	268,989,120	72,174,751	68,900,894	79,609,381	12,608,831	67,710,452	569,993,429
On statement of financial position interest sensitivity gap	(69,084,951)	(15,946,835)	(37,061,513)	15,751,134	143,112,315	27,300,609	64,070,759
Cumulative interest sensitivity gap	(69,084,951)	(85,031,786)	(122,093,299)	(106,342,165)	36,770,150	64,070,759	

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44. Financial Risk Management (Continued)

(c) Market risk (continued)
(ii) Interest rate risk (continued)

	The Group						
	Within 1 Month	**2 to 3 Months**	**4 to 12 Months**	**1 to 5 Years**	**Over 5 Years**	**Non-Interest Bearing**	**Total**
September 30, 2016	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets							
Cash in hand and balances at Central Banks	159,238	-	-	-	-	35,213,903	35,373,141
Due from banks	39,569,970	310,665	-	-	-	6,068,990	45,949,625
Investment securities at fair value through profit or loss	-	-	-	539,587	1,859,336	720,950	3,119,873
Reverse repurchase agreements	1,324,722	1,392,078	84,405	-	-	9,052	2,810,257
Loans and advances net of provision for credit losses	102,483,197	27,851,170	10,346,332	20,608,301	26,342,168	1,424,618	189,055,786
Investment securities classified as available-for-sale and loans and receivables	45,379,067	24,350,068	22,150,422	54,129,641	119,787,173	6,753,296	272,549,667
Derivative financial instruments	-	-	-	-	-	276,429	276,429
Other	-	-	-	-	-	7,162,917	7,162,917
Total financial assets	188,916,194	53,903,981	32,581,159	75,277,529	147,988,677	57,630,155	556,297,695
Liabilities							
Due to banks	4,089,439	4,597,655	874,099	-	767,580	2,944,685	13,273,458
Customer deposits	174,527,526	21,948,242	26,644,871	1,048,341	-	49,796,908	273,965,888
Repurchase agreements	39,410,811	40,403,541	12,563,170	13,032,664	-	564,752	105,974,938
Obligations under securitisation arrangements	-	-	-	15,991,250	31,982,500	483,848	48,457,598
Other borrowed funds	24,816	757,896	1,271,816	9,592,418	359,787	54,421	12,061,154
Liabilities under annuity and insurance contracts	23,964,734	137,548	685,533	-	-	10,494,838	35,282,653
Other	-	-	-	-	-	6,777,289	6,777,289
Total financial liabilities	242,017,326	67,844,882	42,039,489	39,664,673	33,109,867	71,116,741	495,792,978
On statement of financial position interest sensitivity gap	(53,101,132)	(13,940,901)	(9,458,330)	35,612,856	114,878,810	(13,486,586)	60,504,717
Cumulative interest sensitivity gap	(53,101,132)	(67,042,033)	(76,500,363)	(40,887,507)	73,991,303	60,504,717	

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44. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

	The Company						
	Within 1 Month	2 to 3 Months	4 to 12 Months	1 to 5 Years	Over 5 Years	Non-Interest Bearing	Total
September 30, 2017	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets							
Cash in hand and balances at Central Bank	-	-	-	-	-	140	140
Due from banks	29,725,657	-	-	-	-	368,217	30,093,874
Loans and advances net of provision for credit losses	9,579,184	-	-	-	-	12,327	9,591,511
Other	-	-	-	-	-	5,225,610	5,225,610
Total financial assets	39,304,841	-	-	-	-	5,606,294	44,911,135
Liabilities							
Due to banks		-	29,088,678	-	-	2,375,671	31,464,349
Other borrowed funds	-	-	-	40,240,697	-	273,424	40,514,121
Other	-	-	-	-	-	586,045	586,045
Total financial liabilities		-	29,088,678-	40,240,697	-	3,157,580	72,486,955
On statement of financial position interest sensitivity gap	39,304,841	-	(29,088,678)	40,240,697	-	2,448,714	(27,575,820)
Cumulative interest sensitivity gap	39,304,841	39,304,841	10,216,163	(30,024,534)	(30,024,534)	(27,575,820)	

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44. Financial Risk Management (Continued)

(c) Market risk (continued)
(ii) Interest rate risk (continued)

The tables below summarise the effective interest rates for financial instruments by major currencies.

	The Group				The Company			
	J$	**US$**	**CAN$**	**GBP**	**J$**	**US$**	**CAN$**	**GBP**
	%	**%**	**%**	**%**	**%**	**%**	**%**	**%**
September 30, 2017								
Assets								
Balances at Central Banks	3.71	-	-	-	9.75	5.25	-	-
Due from banks	5.64	0.28	-	0.23	-	-	-	-
Investment securities at fair value through profit or loss	7.73	6.88	-	-	-	-	-	-
Reverse repurchase agreements	4.20	1.29	-	-	-	-	-	-
Loans and advances	14.27	7.48	-	-	4.27	-	-	-
Investment securities classified as available-for-sale and loans and receivables	7.49	5.90	-	-	-	-	-	-
Liabilities								
Due to banks	4.82	3.16	-	-	-	6.00	-	-
Customer deposits	1.54	0.93	0.10	0.14	-	-	-	-
Repurchase agreements	5.54	2.06	-	-	-	-	-	-
Obligations under securitisation arrangements	-	6.36	-	-	-	-	-	-
Other borrowed funds	8.20	6.44	-	-	9.75	5.91	-	-
September 30, 2016								
Assets								
Balances at Central Banks	0.41	0.00	0.12	-				
Due from banks	3.69	2.19	0.27	0.35				
Investment securities at fair value through profit or loss	7.73	7.78	-	-				
Reverse repurchase agreements	5.06	1.19	-	-				
Loans and advances	14.85	7.51	-	-				
Investment securities classified as available-for-sale and loans and receivables	7.37	5.69	1.30	4.25				
Liabilities								
Due to banks	4.62	3.65	-	-				
Customer deposits	0.88	1.14	0.14	0.18				
Repurchase agreements	6.30	2.70	-	-				
Obligations under securitisation arrangements	-	6.36	-	-				
Other borrowed funds	7.68	4.75	-	-				

44. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

Interest rate sensitivity

The following table indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on the income statement and stockholders' equity.

The sensitivity of the profit or loss is the effect of the assumed changes in interest rates on net income based on the floating rate of non-trading financial assets and financial liabilities. The sensitivity of other comprehensive income is calculated by revaluing fixed rate available-for-sale financial assets for the effects of the assumed changes in interest rates.

	The Group			
	Effect on Net Profit	Effect on Equity	Effect on Net Profit	Effect on Equity
	2017	2017	2016	2016
	$'000	$'000	$'000	$'000
Change in basis points:				
Decrease - JMD -100 and USD -50	(382,883)	3,994,259	(575,629)	3,351,651
Increase - JMD +100 and USD +100	252,700	(6,705,754)	165,806	(3,494,396)

The financial instruments of the Company attract a fixed rate of interest and are not subject fair value interest rate risk.

44. Financial Risk Management (Continued)

(c) Market risk (continued)

(iii) Other price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified either as available-for-sale or at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The Group's investments in quoted equity securities are of other entities that are publicly traded on the Jamaica Stock Exchange.

Sensitivity to changes in price of equity securities

The following table indicates the sensitivity to a reasonable possible change in prices of equity securities, with all other variables held constant, on the income statement and stockholders' equity.

The sensitivity of the profit or loss is the effect of the assumed fair value changes of investment securities classified at fair value through profit or loss. The sensitivity of other comprehensive income is the effect of the assumed fair value changes of investment securities classified as available-for-sale

	The Group			
	Effect on Net Profit	Effect on Equity	Effect on Net Profit	Effect on Equity
	2017 $'000	2017 $'000	2016 $'000	2016 $'000
Percentage change in share price				
10% decrease	(163,870)	(404,589)	(31,130)	(235,641)
10% increase	163,870	404,589	31,130	235,641

44. Financial Risk Management (Continued)

(d) Derivative financial instruments

The Group's derivative transactions are primarily directed at hedging its risk exposures which arise during the normal course of its treasury and investment activities. When entering into derivative transactions, the Group employs the same credit risk management procedures to assess and approve potential credit exposures that are used for traditional lending.

(e) Insurance risk

The Group issues contracts that transfer insurance risk or financial risk or both.

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract this risk is random and therefore unpredictable. Experience shows that the larger the portfolio of similar insurance contracts, the smaller will be the relative variability about the expected outcome. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency of or severity of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Life insurance risk

The Group issues contracts that have a maximum period determined by the remaining life of the insured. In addition to the estimated benefits which may be payable under the contract, the Group has to assess the cash flows which may be attributable to the contract. The process of underwriting may also be undertaken and may include specific medical tests and other enquiries which affect the Group's assessment of the risk.

Frequency and severity of claims

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency and severity of claims are epidemics (such as AIDS) and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, resulting in earlier or more claims than expected.

The Group charges for mortality risks on a monthly basis for insurance contracts with investment options and has the right to alter these charges based on mortality experience and hence to minimise its exposure to mortality risk on these contracts. Delays in implementing increases in mortality charges, and contractual, market or regulatory restraints over the extent of any increases, may reduce this mitigating effect.

The Group also manages mortality risks on its contracts through its underwriting strategy and reinsurance arrangements. The underwriting strategy is intended to minimise the risk of anti-selection. The Group's underwriting strategy has a twofold approach:

a) products that are subject to traditional methods of application and assessment are controlled by traditional underwriting methods including medical and financial selection with benefits being limited to reflect the health and/or financial condition of applicants and by the application of retention limits on any single life insured.

b) products which are not subject to traditional methods of application and assessment contain pre-existing conditions and exclusionary clauses for certain types of high-risk medical and financial events, with claims on these types of policies examined for breaches to those clauses and denied or settled accordingly.

44. Financial Risk Management (Continued)

(e) Insurance risk (continued)

Life insurance risk (continued)

The tables below indicate the concentration of insured benefits across bands of insured benefits per individual life assured. The Group uses catastrophe re-insurance cover against its Individual contracts as the main risks faced by these contracts are interest rate and liquidity:

	Total Benefits Assured - Individual			
	2017		2016	
	$'000 Contracts with Investment Options	$'000 Contracts without Investment Options	$'000 Contracts with Investment Options	$'000 Contracts without Investment Options
Benefits assured per life assured ($'000)				
0 – 1,000	14,342,146	3,551,283	14,392,588	4,011,301
1,000 – 2,000	4,383,793	16,481,648	4,036,669	15,606,248
2,000 – 5,000	6,411,418	14,908,803	5,243,275	14,255,703
5,000 – 10,000	4,038,129	1,805,000	3,539,180	980,000
Over 10,000	4,810,113	-	4,114,990	-
	33,985,599	36,746,734	31,326,672	34,853,252

	Total Benefits Assured - Group			
	2017		2016	
	$'000 Before Re-insurance	$'000 After Re-insurance	$'000 Before Re-insurance	$'000 After Re-insurance
Benefits assured per life assured ($'000)				
0 – 1,000	19,702,999	19,702,260	16,928,296	16,925,914
1,000 – 2,000	15,535,137	15,529,779	13,376,014	13,372,158
2,000 – 5,000	18,108,248	17,973,000	17,409,645	17,023,529
5,000 – 10,000	14,566,542	11,402,334	13,646,956	9,748,141
Over 10,000	16,926,624	5,675,365	15,329,352	4,861,801
	84,839,550	70,282,738	76,690,263	61,931,543

The Group uses catastrophe re-insurance cover against its Ordinary Life, Group Life and Creditor Life contracts as the main risks faced by these contracts are interest rate and liquidity.

- The premium ceded during the year in respect of catastrophe re-insurance cover amounted to $32,222,000 (2016 – $27,775,000). Premium income recognised in the income statement is shown net of these amounts.
- Policyholders' benefits recovered from reinsurers during the year under these contracts amounted to $28,456,000 (2016 – $6,388,000).
- At September 30, 2016, premiums payable under re-insurance contracts amounted to $2,910,000 (2016 – $2,705,000).
- At September 30, 2017, there were no amounts receivable from reinsurers in respect of policyholders' benefits (2016 – $Nil).

44. Financial Risk Management (Continued)

(e) Insurance risk (continued)

Life insurance risk (continued)

The following table for annuity contracts illustrates the concentration of risk in relation to the amount payable as if the annuity were in payment at the year end:

	Total Annuities Payable	
	2017	2016
	$'000	$'000
Annuity payable per annum per annuitant ($'000)		
0 -100	45,088	41,504
100 – 300	122,561	108,415
300 – 500	122,307	113,700
500 – 1,000	226,483	199,548
Over 1,000	793,642	767,582
	1,310,081	1,230,749

The Group does not hold any re-insurance against the liabilities in these contracts.

Insurance risk for contracts disclosed in this note is also affected by the contract holders' right to pay reduced or no future premiums, or to terminate the contract completely. As a result, the amount of insurance risk is also subject to contract holders' behaviour. The Group has factored the impact of contract holders' behaviour into the assumptions used to measure these liabilities.

Sources of uncertainty in the estimation of future benefit payments and premium payments

Uncertainty in the estimation of future benefit payments and premium receipts for long term insurance contracts arises from the unpredictability of long term changes in overall levels of mortality and morbidity and the variability in policyholder behaviour.

The Group uses appropriate base tables of standard mortality and morbidity according to the type of contract being written. An investigation as to the actual experience of the Group is carried out by the Appointed Actuary, and a comparison of the actual rates with expected rates is performed. Where data are insufficient to be statistically credible, the best estimates of future mortality and morbidity are based on standard industry tables adjusted for the Group's overall experience. For contracts that insure survival, an adjustment is made for future mortality and morbidity improvements based on trends identified in the continuous mortality and morbidity investigations performed by independent actuarial bodies. The Group maintains voluntary termination statistics to investigate the deviation of actual termination experience against assumptions. Statistical methods are used to determine appropriate termination rates to be used for the best estimate assumption.

44. Financial Risk Management (Continued)

(e) Insurance risk (continued)

Life insurance risk (continued)

Process used in deriving assumptions

The assumptions for insurance contracts and the process used in deriving these assumptions have remained substantially unchanged since the previous year.

Estimates are made in two stages:

(i) At inception of the contract, the Group determines assumptions in relation to future deaths, voluntary terminations, investment returns and administration expenses. These assumptions are used as the base assumptions for calculating the liabilities; and

(ii) Subsequently, new estimates are developed at each reporting date and the assumptions are altered to reflect the latest current estimates or experience.

Assumptions are considered to be 'best estimate' if, on average, the results are expected to be worse than the assumptions in 50% of possible scenarios and better in the other 50%. See Note 34 for details on policy assumptions.

Reinsurance risk

Reinsurance risk is the risk that a reinsurer will default and not honour obligations arising from claims. The Group limits the probable loss in the event of individual deaths and any single catastrophic accident occurrence by reinsuring its insurance risk above certain limits with other insurers. Reinsurance ceded does not discharge the Group's liability as the primary insurer. The Group manages reinsurance risk by selecting reinsurers with high credit ratings and monitoring these on an ongoing basis. The current reinsurer is Swiss Re (registered in Canada) whose financial strength rating from Standard & Poor's is AA- (at November 2016) and from AM Best A+ (at October 2017).

Retention limits represent the level of risk retained by the insurer. Coverage in excess of these limits is ceded to reinsurers up to the treaty limit. The limits of coverage accepted by the Group under these contracts fall into two main categories with limits of $3,000,000 and $7,500,000 per life, coverage in excess of these limits is ceded to reinsurers.

44. Financial Risk Management (Continued)

(e) Insurance risk (continued)

Property and casualty insurance risk

The Group manages its property and casualty insurance risk through its underwriting policy that includes *inter alia*, authority limits, approval procedures for transactions that exceed set limits, pricing guidelines and the centralised management of reinsurance. The Group actively monitors insurance risk exposures both for individual and portfolio types of risks. These methods include internal risk measurement, portfolio modeling and scenario analyses.

Underwriting strategy

The Group manages the risks arising from its underwriting of property and casualty insurance contracts through policies which provide guidance on how to determine the insurability of risks and exposure to large claims. The Group follows detailed, uniform underwriting practices and procedures designed to properly assess and quantify risks before issuing coverage. The Group's underwriting guidelines also outline acceptance limits and the appropriate levels of authority for acceptance of risks.

Reinsurance strategy

A detailed analysis of the Group's exposures, reinsurance needs and quality of reinsurance securities is conducted by the Board and Senior Management. The Group's exposures are continually evaluated by Management to ensure that its reinsurances arrangements remain adequate and mechanisms are in place to continually monitor the reinsurance counterparties to ensure that they maintain "A" rating, in keeping with the Board approved Reinsurance Risk Management Policy.

44. Financial Risk Management (Continued)

(e) Insurance risk (continued)

Property and casualty insurance risk (continued)

Motor insurance

Motor insurance contracts provide cover in respect of policyholders' motor vehicles and their liability to third parties in respect of damage to property and injury. The exposure on motor insurance contracts is normally limited to the replacement value of the vehicle and a policy limit in respect of third party damage. In general, claims reporting lags are minor and claims complexity is relatively low.

The risks relating to motor contracts are managed primarily through the pricing and selection process. The Group monitors and reacts to changes in trends of injury awards, litigation and the frequency of claims appeals.

Property insurance

Property insurance indemnifies, subject to any limits or excesses, the policyholder against the loss or damage to their own material property and business interruption arising from this damage. The risk on any policy varies according to many factors such as location, safety measures in place and the age of the property. The event giving rise to a claim for damage to buildings or contents usually occurs suddenly (as for fire and burglary) and the cause is easily determinable. Therefore, claims are generally notified promptly and can be settled without delay. Property business is therefore classified as "short-tailed" and expense deterioration and investment return is of less importance in estimating provisions. The cost of repairing or rebuilding assets, of replacement or indemnity for contents and the time taken to restart or resume operations to original levels for business interruption losses are the key factors influencing the level of claims under these policies.

The risks relating to property contracts are managed primarily through the pricing and selection process. The Group uses strict underwriting criteria to ensure that the risk of losses is acceptable. Furthermore, the Group accepts property insurance risks for one year so that each contract can be re-priced on renewal to reflect the continually evolving risk profile.

Liability insurance

Under these contracts, compensation is paid for injury suffered by individuals, including employees or members of the public. The main liability exposure is in relation to bodily injury. The timing of claim reporting and settlement is a function of factors such as the nature of the coverage and the policy provisions. Although bodily injury claims have a relatively long tail, the majority of bodily injury claims are settled in full within three to four years. In general, these contracts involve higher estimation uncertainty.

Risks arising from liability insurance are managed primarily through pricing, product design, risk selection, adopting an appropriate investment strategy, rating and reinsurance. The Group monitors and reacts to changes in the general economic and commercial environment in which it operates to ensure that only liability risks which meet its criteria for profitability are underwritten. In pricing contracts, the company makes assumptions that costs will increase in line with the latest available research.

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44. Financial Risk Management (Continued)

(e) Insurance risk (continued)

Property and casualty insurance risk (continued)

Risk exposure and concentrations of risk

The following table shows the Group's exposure to Property and casualty insurance risk (based on the carrying value of insurance provisions at the reporting date) per major category of business:

	Liability	Property	Motor	Other	Total
	2017				
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Gross	49,310	54,056	4,516,030	-	4,619,396
Net of proportional reinsurance	48,702	30,599	4,500,303	-	4,579,604
	2016				
Gross	64,030	171,943	4,741,649	-	4,977,622
Net of proportional reinsurance	63,136	34,608	4,713,809	-	4,811,553

Claims development

Claims development information is disclosed in order to illustrate the property and casualty insurance risk inherent in the Group. The upper section of the table shows how the estimates of total claims for each accident year develop over time. The estimates are increased or decreased as losses are paid and more information becomes known about the severity of unpaid claims. The lower section of the table provides a reconciliation of the total provision included in the statement of financial position and the estimate of cumulative claims.

	2010	2011	2012	2013	2014	2015	2016	2017	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Estimate of cumulative claims at end of financial year	2,236,996	2,077,084	1,951,568	2,170,646	2,208,371	2,336,795	1,899,066	1,427,498	
One year later	2,258,643	2,023,825	2,018,656	2,316,690	2,145,811	2,301,651	2,299,072		
Two years later	2,400,597	2,404,734	2,211,216	2,400,174	2,377,284	2,344,929			
Three years later	2,574,326	2,542,644	2,382,546	2,622,796	2,391,762				
Four years later	2,647,397	2,652,369	2,576,959	2,675,839					
Five years later	2,703,502	2,752,313	2,661,089						
Six years later	2,756,724	2,800,905							
Seven years later	2,787,807								
Estimate of cumulative claims	2,787,807	2,800,905	2,661,089	2,675,839	2,391,762	2,344,929	2,299,072	1,427,498	19,388,901
Cumulative payments to date	2,664,901	2,603,835	2,364,534	2,279,867	1,833,261	1,589,284	1,523,916	432,694	15,292,292
Net outstanding claims liability	122,906	197,070	296,555	395,972	558,501	755,645	775,156	994,804	4,096,609

Prior years' claims liability	152,779
Provision for adverse deviations	213,440
Provision for Unallocated Loss Adjustment Expenses	116,776
Final net claims liability	4,579,604

44. Financial Risk Management (Continued)

(f) Capital management

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of statement of financial position, are:

- To comply with the capital requirements set by the regulators of the financial markets where the entities within the Group operate;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for stockholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

All of the Group's significant subsidiaries and associates are individually regulated by the Financial Services Commission (FSC) or other regulators. The regulatory requirements to which the subsidiaries are subject, include minimum capital and liquidity requirements which may limit the Bank's ability to extract capital or funds for other uses. The Group's subsidiaries and associates are also subject to statutory requirements to restrict distributions of capital and generally to maintain solvency. In most cases, the regulatory restrictions are more onerous than the statutory restrictions. Certain Group subsidiaries also raise finance using their financial assets as collateral. Encumbered assets are not available for transfer around the Group. The assets typically affected are disclosed in Note 24.

(i) National Commercial Bank Jamaica Limited

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on the guidelines developed by the Central Bank, and the relevant management committees. The required information is filed with the respective Authority at the stipulated intervals.

The Central Bank requires the Bank to:

- Hold a specified level of the regulatory capital, and
- Maintain a ratio of total regulatory capital to the risk-weighted assets.

The Bank's regulatory capital is divided into two tiers:

Tier 1 capital: ordinary share capital, non-redeemable non-cumulative preference shares, statutory reserve fund and retained earnings reserves. Goodwill, other intangibles and any net loss arising from the aggregate of: current year profit or loss, undistributed profits or accumulated losses for prior financial years any loss positions on revaluation reserves arising from fair value accounting, are deducted in arriving at Tier 1 capital; and

Tier 2 capital: non-redeemable cumulative preference shares, redeemable preference shares having an original term to maturity of five years or more, qualifying subordinated debt and general provisions for loss.

Equity investments in unconsolidated subsidiaries, substantial investment in any other unconsolidated entities or companies and share of accumulated losses of any unconsolidated entities are deducted from Tier 1 and Tier 2 capital to arrive at the regulatory capital. The risk-weighted assets are measured by means of a hierarchy of four risk weights classified according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-statement of financial position exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The Bank met all the regulatory capital requirements as at September 30, 2017.

44. Financial Risk Management (Continued)

(f) Capital management (continued)

(ii) NCB Insurance Company Limited

The company maintains a capital structure consisting mainly of shareholders' funds consistent with the company's profile and the regulatory and market requirements. The company is subject to a number of regulatory capital tests and also employs scenario testing on an annual basis to assess the adequacy of capital. The company has met all of these requirements during the year. Capital adequacy is managed at the operational level.

In reporting financial strength, capital and solvency is measured using the regulations prescribed by the FSC. These regulatory capital tests are based upon required levels of solvency capital and a series of prudent assumptions in respect of the type of business written by the company.

The relevant capital requirement is the Minimum Continuing Capital Surplus Ratio (MCCSR) determined in accordance with the FSC regulations. This ratio is calculated by the Appointed Actuary and reviewed by executive management, the Audit Committee and the Board of Directors. This measure is a risk-based formula that compares available capital and surplus to a minimum requirement set by the FSC in regard to the asset and liability profile of the company. The company met all FSC regulatory capital requirements as at September 30, 2017.

The company's capital position is sensitive to changes in market conditions, due to both changes in the value of assets and the effect that changes in investment conditions may have on the value of the liabilities. The most significant sensitivities arise from changes in interest rates and expenses. The company's capital position is also sensitive to assumptions and experience relating to mortality and persistency.

Dynamic capital adequacy testing (DCAT)

DCAT is a technique used to assess the adequacy of an insurer's financial position and financial condition in different future economic and policy experience scenarios. DCAT assesses the impact over the next 5 years on the insurer's financial position and financial condition under specific scenarios.

The financial position of an insurer is reflected by the amounts of assets, liabilities and equity in the statement of financial position at a given date.

The financial condition of an insurer at a particular date is its prospective ability at that date to meet its future obligations, especially obligations to policyholders, those to whom it owes benefits and to its shareholders.

44. Financial Risk Management (Continued)

(f) Capital management (continued)

(iii) Advantage General Insurance Company Limited

The company is regulated by the FSC and is subject to regulatory capital tests employed by the regulator. Under the FSC regulations, the primary measure used to assess capital adequacy is the Minimum Capital Test (MCT). This measure is a risk-based formula that compares available capital and surplus to a minimum requirement set by the FSC in regard to the asset and liability profile of the company. As at September 30, 2017, the company was in compliance with the requirement set by the FSC.

(iv) NCB Capital Markets Limited

The company is regulated by the Financial Services Commission (FSC) and is subject to regulatory capital tests employed by the regulator. Under the FSC regulations, the level of capital adequacy determines the maximum amount of liabilities including repurchase agreements the company is able to offer to clients. In addition to the requirements of the FSC, the company also engages in periodic internal testing which is reviewed by the Risk Management Committee. Capital adequacy is managed at the operational level of the company.

The regulatory capital of the company is divided into two tiers:

(i) Tier 1 capital: share capital, retained earnings and reserves created from appropriations of retained earnings.

(ii) Tier 2 capital: qualifying subordinated debt or loan capital, qualifying capital reserves and unrealised gains derived from the fair valuation of equity instruments classified as available for sale.

The FSC requires that the company maintains a capital base comprising at least 50% of Tier 1 capital.

In addition, the FSC employs certain ratios to test capital adequacy and solvency. The results of these ratios are included in a mandatory quarterly report submitted to the FSC. Two of the critical early warning ratios relating to the test for capital adequacy are ‘Capital over Total Assets’ and the ‘Capital Base over Risk Weighted Assets (RWA)’.

There was no change in relation to how the company manages its capital during the financial year.

The company met all the FSC regulatory capital requirements as at September 30, 2017.

45. Fair Values of Financial Instruments

The Group measures fair values using the following fair value hierarchy which reflects the significance of the inputs used in making the measurements:

- Level 1 – inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2 – inputs other than quoted market prices included within level 1 that are observable, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 – inputs that are unobservable.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets is the current bid price. These instruments are grouped in Level 1 and comprise most equity securities that are quoted on the Jamaica Stock Exchange.

The fair value of financial instruments not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. This category includes government bonds, certificates of deposit, commercial paper, most liquid corporate bonds and certain equity securities that are quoted on the Jamaica Stock Exchange. Indicative prices or yields of these instruments are obtained from regular, publicly available quotes by reputable pricing services, dealers and brokers, such as Bloomberg and Oppenheimer. The Group's derivatives are also included in Level 2. The embedded put option is valued using a discounted cash flow model representing the difference between the present values of future cash flows with and without exercise of the put option using observable market yields for government bonds of similar tenure. Equity-linked options are valued using standard option pricing models using observable market data from Bloomberg.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. This category includes certain unquoted equity securities.

The valuation of unquoted equity instruments is subjective by nature. The determination of the fair values of unquoted equity securities requires the use of a number of individual pricing benchmarks which would involve unobservable inputs, such as earnings estimates, multiples of comparative companies, marketability discounts and discount rates.

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45. Fair Values of Financial Instruments (Continued)

The following tables provide an analysis of financial instruments held as at the date of the statement of financial position that, subsequent to initial recognition, are measured at fair value. The financial instruments are classified in the fair value hierarchy into which the fair value measurement is categorised:

	The Group			
	Level 1	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
At September 30, 2017				
Financial assets				
Investment securities classified as available-for-sale				
Government of Jamaica debt securities	-	186,060,301	-	186,060,301
Government of Jamaica guaranteed corporate bonds	-	3,155,236	-	3,155,236
Other corporate bonds	-	25,009,268	-	25,009,268
Foreign government debt securities	-	9,768,973	-	9,768,973
Quoted equity securities	2,736,023	-	-	2,736,023
Unquoted equity securities	-	-	2,133,170	2,133,170
Unit trust investments	-	639,868	-	639,868
	2,736,023	224,633,646	2,133,170	229,502,839
Investment securities at fair value through profit or loss				
Government of Jamaica debt securities	-	1,163,435	-	1,163,435
Other corporate bonds	-	254,349	-	254,349
Foreign government debt securities	-	97,610	-	97,610
Quoted equity securities	2,732,533	-	-	2,732,533
Other securities	-	-	521	521
	2,732,533	1,515,394	521	4,248,448
Derivative financial instruments		205,984		205,984
	5,468,556	226,355,024	2,133,691	233,957,271
Financial liabilities				
Derivative financial instruments	-	132,347	-	132,347
Liabilities under annuity and insurance contracts	-	-	36,185,320	36,185,320
	-	132,347	36,185,320	36,317,667

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45. Fair Values of Financial Instruments (Continued)

	The Group			
	Level 1	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
At September 30, 2016				
Financial assets				
Investment securities classified as available-for-sale				
Government of Jamaica debt securities	-	180,152,168	-	180,152,168
Government of Jamaica guaranteed corporate bonds	-	4,590,935	-	4,590,935
Other corporate bonds	-	16,585,768	-	16,585,768
Foreign government debt securities	-	7,543,768	-	7,543,768
Quoted equity securities	1,585,715	-	-	1,585,715
Unquoted equity securities	-	-	903,990	903,990
Unit trust investments	-	551,521	-	551,521
	1,585,715	209,424,160	903,990	211,913,865
Investment securities at fair value through profit or loss				
Government of Jamaica debt securities	-	1,555,655	-	1,555,655
Government of Jamaica guaranteed corporate bonds	-	147,334	-	147,334
Other corporate bonds	-	531,461	-	531,461
Foreign government debt securities	-	163,952	-	163,952
Quoted equity securities	694,563	-	-	694,563
Other securities	-	-	521	521
	694,563	2,398,402	521	3,093,486
Derivative financial instruments	-	276,429	-	276,429
	2,280,278	212,098,991	904,511	215,283,780
Financial liabilities				
Derivative financial instruments	-	72,820	-	72,820
Liabilities under annuity and insurance contracts	-	-	35,282,653	35,282,653
	-	72,820	35,282,653	35,355,473

The movement in the Group's financial assets classified as Level 3 during the year is as follows:

	The Group	
	2017	**2016**
	$'000	**$'000**
At start of year	904,511	61,188
Acquisitions	1,229,180	843,323
At end of year	2,133,691	904,511

The movement in liabilities under annuity and insurance contracts is disclosed in Note 35.

There were no transfers between levels.

45. Fair Values of Financial Instruments (Continued)

The carrying value (excluding accrued interest) (Note 23) and fair value of investment securities classified as loans and receivables are as follows:

	The Group	
	Carrying Value	Fair Value
	$'000	$'000
At September 30, 2017	61,359,730	66,800,708
At September 30, 2016	56,924,706	57,615,341

Similar to debt securities classified as available-for-sale, the above fair value measurements fall within Level 2 of the fair value hierarchy as indicative prices or yields of these instruments are obtained from regular, publicly available quotes by reputable pricing services, dealers and brokers, such as Bloomberg and Oppenheimer.

The fair values for all other financial instruments approximate their carrying values and also fall within Level 2 based on the following:

- The fair value of liquid assets and other assets maturing within one year (such as cash and balances at Central Banks and amounts due from banks) is assumed to approximate their carrying amount. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities;
- The fair value of demand deposits and savings accounts with no specific maturity is assumed to be the amount payable on demand at the date of the statement of financial position;
- The fair value of variable rate loans is assumed to approximate their carrying amounts and management does not believe that, after deduction of provision for credit losses, there is any significant difference between the fair value of fixed rate loans and their carrying values as interest rates approximate current market rates offered on similar loans.

46. Regulatory Matters

At the reporting date, one of the subsidiaries within the Group was in breach of a regulatory concentration limit arising from cash holdings with the Bank pending purchases of investment securities. The investments were purchased and the breach was rectified in October 2017.

47. Fiduciary Activities

The Group provides custody, trustee, corporate administration, investment management and advisory services to third parties which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements. At September 30, 2017, the Group had financial assets under administration of approximately $139,015,187,000 (2016 – $70,177,407,000).

48. Dividends

The following dividends were paid by National Commercial Bank Jamaica Limited during the year:

- $0.90 per ordinary stock unit was paid in December 2016
- $0.60 per ordinary stock unit was paid in February 2017

The following dividends were paid by NCB Financial Group Limited during the year:

- $0.60 per ordinary stock unit was paid in May 2017
- $0.60 per ordinary stock unit was paid in August 2017

On November 9, 2017, the Board declared a final interim dividend in respect of 2017 of $0.60 per ordinary stock unit. The dividend is payable on December 8, 2017 for stockholders on record as at November 24, 2017. The financial statements for the year ended September 30, 2017 do not reflect this resolution, which will be accounted for in stockholders' equity as an appropriation of retained profits in the year ending September 30, 2018.

49. Litigation and Contingent Liabilities

The Company and its subsidiaries are subject to various claims, disputes and legal proceedings, as part of the normal course of business. Provision is made for such matters when, in the opinion of management and its professional advisors, it is probable that a payment will be made by the Group, and the amount can be reasonably estimated.

In respect of claims asserted against the Group for which, according to the principles outlined above, no provision has been made, management is of the opinion that such claims are either without merit, can be successfully defended or will result in exposure to the Group which is immaterial to both its financial position and its operations.

Significant matters are as follows:

(a) Suit has been filed by the Bank's Staff Association against the Bank seeking various declarations regarding the Bank's profit sharing scheme, in particular as it relates to the financial year ended September 30, 2002. The Association has not quantified the claim. Recently, the Court handed down its decision in favour of the Staff Association. The Bank filed an appeal against the judgment. A provision has been made in the financial statements.

(b) Suit has been filed by a customer against the Bank for breach of contract, breach of trust and negligence and damages. The claim for damages includes a sum equivalent to the profit of the business foregone as a result of an inability to access a loan approved by the Bank and the cost of interim financing. No provision was made in these financial statements for this claim as the Bank's attorneys were of the view that the suit against the Bank was unlikely to succeed. The Court subsequently ordered that the customer's claim be struck out. The customer has appealed that decision.

49. Litigation and Contingent Liabilities (Continued)

(c) Suit has been filed by a customer against the Bank for damages suffered as a result of the Bank's alleged negligence in relation to the sale of property. The proper value of the property, which had been owned by the customer, is in issue, along with the amount properly to be applied to the customer's loan balance. Based on the advice of the Bank's attorneys, no provision has been made in the financial statements in respect of this claim.

(d) Suit has been filed by a customer against the Bank for unlawful, wrongful and/or improper use of power in the appointment of a Receiver and manager of the customer's business property and assets. Damages, interest and costs have been claimed against the Bank. The Bank's attorneys are unable to determine the outcome of the suit and no provision has been made in the financial statements.

(e) Suit was filed by a claimant seeking specific performance, damages for breach of contract, interest and costs. At the time of trial, the claim against the Bank was quantified by the claimant at approximately $31.4 billion plus interest and costs. No provision was made in these financial statements for this claim as the Bank's attorneys were of the view that the suit against the Bank was unlikely to succeed. The Supreme Court issued judgment in the Bank's favour, with the Court ordering a company (placed by the Bank into receivership) to pay the claimant $5 million plus interest. The claimant has appealed and the defendants (including the Bank) have cross-appealed that portion of the judgment in which the company in receivership was ordered to pay the claimant $5 million plus interest.

(f) A number of other suits claiming damages in excess of $5 million each have been filed by customers of the Bank. In some instances counter claims have been filed by the Bank. Provision has been made in the financial statements for certain of these claims. No provision has been made where the Bank's attorneys are of the view that the Bank has a good defense against these claims.