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NCB Financial Group Limited

Financial Statements
September 30, 2019

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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 September 30, 2019, and of their consolidated and stand-alone financial performance and their consolidated and stand-alone cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and with the requirements of the Jamaican Companies Act.

What we have audited

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

- the consolidated income statement for the year ended September 30, 2019;
- the consolidated statement of comprehensive income for the year ended September 30, 2019;
- the consolidated statement of financial position as at September 30, 2019;
- the consolidated statement of changes in equity for the year ended September 30, 2019;
- the consolidated statement of cash flows for the year ended September 30, 2019;
- the statement of comprehensive income for the year ended September 30, 2019;
- the statement of financial position as at September 30, 2019;
- the statement of changes in equity for the year ended September 30, 2019;
- the statement of cash flows for the year ended September 30, 2019; and
- the notes to the consolidated and stand-alone 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.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industries in which the Group operates.

The context of our audit is set by the Group's significant activities for the year ended September 30, 2019. The purchase of additional shares in Guardian Holdings Limited (GHL) resulted in NCB gaining control of GHL, resulting in GHL now being consolidated within the Group. The adoption of IFRS 9, 'Financial Instruments' resulted in significant adjustments to the accounting of certain financial instruments. We have included these significant activities as two new key audit matters for the current period.

We determined the scope of our audit by first considering the internal organisation of the Group and then identifying the components of the audit that have the most significant impact on the financial statements. The Group comprised 49 reporting components of which, we selected 24, which mainly represent the principal business units within the Group and are located in Jamaica, Bermuda, Trinidad and Tobago and the Dutch Antilles. Full scope audits were performed for 11 components, while audits of one or more financial statements line items were performed for 13 components. The audit work performed covered 91% of the Group's total assets and 92% of total revenue. For business units located in the Dutch Antilles, we used component auditors from a non-PwC firm, familiar with the local laws and regulations to perform this audit work.

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 and stand-alone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter

Business combination
 See notes 2 (b), 3 and 54 to the consolidated financial statements for management's disclosures of related accounting policies, judgements and estimates.
 	
 The Group acquired an additional 31.99% of the issued share capital of Guardian Holdings Limited (GHL) for a total consideration of $28.1 billion. As a result of the transaction, the Group's shareholdings in GHL increased from 29.99% to 61.98%. With the increase in the shareholding and certain changes to the composition of GHL's board, management concluded that it obtained control of GHL, and consequently, that GHL became a subsidiary of the Group.
 	
 The accounting for the acquisition was a key audit matter because it was a significant transaction for the year, given the financial and operational impacts on the Group. We focused on this area due to nature of business combinations, the requirements of which can be complex and require management to exercise judgement in determining certain estimates. The complex judgements include determining identifying and estimating the fair value of the previously held equity interests in GHL and the intangible assets acquired. The Group was assisted by an external valuation expert in this process.
	We were assisted by our valuation expert in aspects of our work. We tested the fair values of previously held equity interests in GHL and of the intangible assets recognized, as follows:
	• Evaluated the application of valuation methodology utilised to derive the fair value of the previously held equity interests and identified intangible assets.
	• Tested the reasonableness of valuation assumptions and inputs by:
	    ○ Referencing historical information in management's cash flow projections to supporting documents and information;
	    ○ Corroborating the revenue forecasts, retention ratio, claims ratio, expense forecasts, capital and growth rates by comparison to independent economic and statistical data;
	    ○ Comparing the discount rate to that used by other market participants; and
	    ○ Agreeing the remaining useful lives of each intangible asset identified to the period over which the cash flows are expected to be generated.
	• Tested the mathematical accuracy of management's discounted cash flow by reperforming the underlying calculations.
	• We performed sensitivity analyses on certain of management's assumptions and inputs.
	• Assessed the competence and capability of management's valuation expert.
	
	 Based on the procedures performed, no adjustments were considered necessary.

Key audit matter	How our audit addressed the key audit matter
Expected credit losses in relation to financial instruments (Group & Stand-Alone) *See notes 2 (i), 21 and 22 to the financial statements for management's disclosures of related accounting policies, judgements and estimates.*	
The Group adopted the accounting standard IFRS 9 'Financial instruments' effective October 1, 2018. The standard introduced new requirements around two main aspects of how financial instruments are treated namely; measurement and classification, and impairment. In relation to impairment, the standard prescribes a new forward-looking expected credit loss ('ECL') impairment model, which takes into account reasonable and supportable forward looking information and will generally result in the earlier recognition of impairment provisions. The introduction of the new standard required the Group to build and implement new models to measure the ECL for relevant financial assets. The financial statement line items most significantly impacted are debt securities and loans and advances, including off statement of financial position exposures. The new standard significantly impacted investment securities and loans and advances. As at September 30, 2019, these assets totalled $1,194.1 billion for the Group and $7.1 billion for the Company. Overall, the statement of financial position exposure was 74% and 2.9% of total assets for the Group and Company, respectively. Off statement of financial position exposures	We obtained the Group's accounting policies as it relates to IFRS 9 and assessed the reasonableness of those accounting policies with the requirements of the standard. We evaluated the design and tested the operating effectiveness of the relevant controls for IFRS 9 including: • Review and approval of key assumptions, judgments and forward-looking assumptions prior to being incorporated within the ECL model. • Review and approval of the output of the ECL model and related transition impacts. • Review of the credit rating of debt securities and their updates within the ECL model. • Reviews of the staging of financial instruments focusing on appropriate preparation, review and updates in the ECL model. We found that the controls were designed, implemented and operated effectively, and therefore we determined that we could place reliance on these controls for the purpose of our audit We were assisted by our valuation specialists in performing the following:

Key audit matter	How our audit addressed the key audit matter
such as loan commitments and guarantees totalled $70.3 billion for the Group and nil for the Company as at the reporting date. Stage 3 credit impairment provisions of $9.5 billion have been recognised for the Group as a whole. We have focused on this area because there are a number of significant management determined judgements including: • The consideration of days past due (DPD), which is one of the key criteria for considering a significant increase in credit risk. This impacts the staging of the asset and the related calculation, i.e. one year or lifetime ECL calculations. • Relevant inputs and techniques included in the ECL model utilised in probability of default (PD), loss given default (LGD) and exposures at default (EAD) parameters. • Use of multiple economic scenarios that are forward looking. We also focused on credit impaired loans and advances. These are termed stage 3 loans. In determining the ECL, the assumptions used for estimating both the amount and timing of future cash flows are complex and involve significant judgment by management, including valuation of real estate property pledged as collateral as 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. Management used valuation experts to	• Obtained an understanding of management's ECL model including source data, evaluated the theoretical soundness and tested the mathematical integrity of the model. • Tested management's ECL calculations to determine if they were in line with management's assumptions, model design and were consistently applied. • We evaluated the appropriateness of management's judgement pertaining to forward looking information, including macro-economic factors, the basis of the multiple economic scenarios used and the weighting applied to capture nonlinear losses. **Debt securities** We tested the completeness of all debt securities to determine whether all securities were included in the ECL model by agreeing to the detailed securities listing. We recalculated the amortised cost for a sample of debt securities to test the accuracy of management's calculations, which is used as the EAD value. We tested on a sample basis, the accuracy of the initial credit risk and the credit risk at the reporting date using rating agencies definition of investment grade and evaluated the appropriateness of the group classification of debt securities. We tested the critical data fields used in the ECL model, such as the maturity date, amortised cost, accrued interest, credit rating and interest rate by tracing data back to source documents. We agreed the inputs used to calculate the PDs and LGDs to external sources such as external rating agencies.

Key audit matter	How our audit addressed the key audit matter
support their estimate of future cash flows from the assets, including realisation of the collateral held. We focus on the key assumptions and judgments made by management when calculating the provision for individually impaired loans 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.	**Loans and advances, including off-statement of financial position exposures** We tested the completeness of all loans and advances and off statement of financial position exposures by agreeing to the detailed listing of loans to determine whether all financial instruments were included in the ECL model. We recalculated days past due (DPD) for a sample of loans. We tested the critical data fields used in the ECL model, such as origination date, date of maturity, default date, principal and effective interest rate by tracing data back to source documents. We tested reliability of source data used in calculating PDs and LGDs on a sample basis by corroborating to historical data. **Credit impaired loans and advances** We inspected, on a sample basis, 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. This was performed for a sample of loans. Using a risk-based approach, we were assisted by our experts to perform independent valuations of commercial and residential properties held as collateral. We evaluated the performance of the loan portfolio subsequent to the end of the reporting period to identify significant adjusting subsequent events and did not identify any such events. Based on the procedures performed, no adjustments were considered necessary.

Key audit matter	How our audit addressed the key audit matter
Valuation of investments classified as fair value through profit or loss, fair value through other comprehensive income and amortised cost, and pledged assets. *See notes 2(i), 22 and 23 to the financial statements for management's disclosures of related accounting policies, judgements and estimates.* As at September 30, 2019, investments classified as investment securities at fair value through profit or loss, fair value through other comprehensive income, and at amortised cost, and pledged assets together account for $771.1 billion or 48% 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. 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 procedures performed, no adjustments were considered necessary.

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(v) and 39 to the financial statements for management's disclosures of related accounting policies, judgements and estimates.* As at 30 September 2019, total incurred but not reported reserves account for $13.0 billion or 1% 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. We were assisted by actuarial specialists who performed a methods and assumptions analysis of the actuarial valuation done by the Group's actuary. 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 and health insurance and annuity insurance contracts *See notes 2(v) and 39 to the financial statements for management's disclosures of related accounting policies, judgements and estimates.*	
As at September 30, 2019, reserves for life insurance and annuity contracts account for $327.5 billion or 23% 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 were assisted by actuarial specialists who evaluated 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.

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 the date of this auditor's report.

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 with the requirements of the Jamaican Companies Act, 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 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 or 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 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 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 or 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
29 November 2019
Kingston, Jamaica

NCB Financial Group Limited

Consolidated Income Statement

Year ended September 30, 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 $'000	2018 $'000
Operating Income			
Banking and investment activities			
Interest income		65,068,228	52,235,806
Interest expense		(20,473,144)	(17,091,622)
Net interest income	6	44,595,084	35,144,184
Fee and commission income		24,172,608	20,191,880
Fee and commission expense		(4,992,775)	(4,327,906)
Net fee and commission income	7	19,179,833	15,863,974
Gain on foreign currency and investment activities	8	14,796,405	15,611,240
Credit impairment losses	13	(4,824,734)	(1,960,638)
Dividend income	11	1,274,735	553,305
Other operating income		1,112,460	605,446
		12,358,866	14,809,353
Net result from banking and investment activities		76,133,783	65,817,511
Insurance activities			
Premium income	9	60,618,692	9,485,444
Insurance premium ceded to reinsurers	9	(16,057,907)	(823,439)
Reinsurance commission income		3,594,053	96,826
Net underwriting income		48,154,838	8,758,831
Gross policyholders' and annuitants' benefits and reserves	10	(35,682,380)	(4,788,877)
Reinsurance on policyholders' and annuitants' benefits and reserves	10	8,376,399	57,398
Commission and other selling expenses		(6,417,342)	(230,061)
Net result from insurance activities		14,431,515	3,797,291
Net operating income		90,565,298	69,614,802
Operating Expenses			
Staff costs	12	32,120,544	23,776,353
Depreciation and amortization		6,941,434	3,472,372
Other operating expenses	14	25,674,925	16,180,020
		64,736,903	43,428,745
Operating Profit		25,828,395	26,186,057
Negative goodwill on acquisition of subsidiary	54	-	4,392,149
Share of profit of associates and gain on dilution	24	2,897,176	2,573,232
Gain on disposal of associate	24	3,291,544	837,480
Gain on disposal of subsidiary		2,626,425	-
Gain on revaluation of associate		2,329,179	-
Profit before Taxation		36,972,719	33,988,918
Taxation	15	(6,280,694)	(5,407,952)
NET PROFIT		30,692,025	28,580,966
Attributable to:			
Stockholders of the parent		29,576,423	27,958,752
Non-controlling interest	55	1,115,602	622,214
		30,692,025	28,580,966
Earnings per stock unit			
Basic and diluted (expressed in $)	16	12.18	11.39

NCB Financial Group Limited

Consolidated Statement of Comprehensive Income

Year ended September 30, 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 $'000	2018 $'000
Net Profit		30,692,025	28,580,966
Other Comprehensive Income, net of tax -			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations		(487,254)	(481,392)
Share of other comprehensive income of associated companies		10,198	-
		(477,056)	(481,392)
Items that may be reclassified subsequently to profit or loss			
Currency translation (losses)/gains		(21,059)	1,263,927
Share of other comprehensive income of associated companies		(169,019)	(1,413,911)
Expected credit losses on debt instruments at fair value through other comprehensive income (FVOCI)		(350,671)	-
Unrealised gains on securities designated as FVOCI		14,150,375	-
Realised fair value gains on sale and maturity of securities designated as FVOCI		(4,012,903)	-
Realised currency translation and other gains, of a former associated company		(1,426,598)	
Unrealised gains on available-for-sale investments		-	548,555
Realised fair value gains on sale and maturity of available-for-sale investments		-	(6,049,801)
		8,170,125	(5,651,230)
Total other comprehensive income		7,693,069	(6,132,622)
TOTAL COMPREHENSIVE INCOME		38,385,094	22,448,344
Total comprehensive income attributable to:			
Stockholders of parent		36,808,704	21,415,907
Non-controlling interest	55	1,576,390	1,032,437
		38,385,094	22,448,344

NCB Financial Group Limited

Consolidated Statement of Financial Position

September 30, 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019	2018
		$'000	$'000
ASSETS			
Cash in hand and balances at Central Banks	17	62,535,389	74,711,396
Due from banks	18	141,357,186	48,702,014
Derivative financial instruments	19	239,279	233,329
Reverse repurchase agreements	20	7,837,898	3,807,177
Loans and advances, net of provision for credit losses	21	423,102,600	372,634,701
Investment securities	22	386,185,620	214,443,107
Pledged assets	23	384,904,688	176,910,304
Investment in associates	24	5,271,465	35,125,894
Investment properties	25	28,155,110	1,366,950
Intangible assets	28	43,632,659	12,398,591
Property, plant and equipment	29	23,480,667	13,280,060
Properties for development and sale	26	2,368,042	-
Reinsurance assets	27	33,779,448	425,865
Deferred income tax assets	30	8,141,066	4,639,482
Income tax recoverable		5,174,472	1,613,365
Letters of credit and undertaking		2,051,519	2,305,130
Other assets	31	51,883,490	15,987,261
Total Assets		1,610,100,598	978,584,626

NCB Financial Group Limited

Consolidated Statement of Financial Position (Continued)

September 30, 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 $'000	2018 $'000
LIABILITIES			
Due to banks	32	22,776,255	11,815,200
Customer deposits		504,678,536	484,847,790
Repurchase agreements		174,619,976	152,884,626
Obligations under securitisation arrangements	33	48,305,823	58,992,666
Derivative financial instruments	19	239,279	259,002
Other borrowed funds	34	124,953,101	65,558,639
Deferred income tax liabilities	30	18,122,796	910,710
Third party interest in mutual funds	36	22,138,490	-
Segregated fund liabilities	38	16,549,531	-
Investment contract liabilities	37	39,257,656	-
Liabilities under annuity and insurance contracts	39	385,395,889	38,093,007
Post-employment benefit obligations	40	9,400,738	5,502,973
Letters of credit and undertaking		2,051,519	2,305,130
Other liabilities	41	54,577,213	17,830,555
Total Liabilities		1,423,066,802	839,000,298
STOCKHOLDERS' EQUITY			
Share capital	42	153,827,330	153,827,330
Treasury shares	42	(10,756,253)	(1,050,785)
Reserves from scheme of arrangement	44	(147,034,858)	(147,034,858)
Fair value and capital reserves	44	13,158,946	3,535,115
Loan loss reserve	45	2,947,624	3,470,490
Banking reserve fund	46	6,625,209	6,598,442
Retained earnings reserve	47	43,820,000	39,250,000
Retained earnings		84,709,206	71,444,834
Equity attributable to stockholders of the parent		147,297,204	130,040,568
Non-controlling interest	55	39,736,592	9,543,760
Total stockholders' equity		187,033,796	139,584,328
Total stockholders' equity and liabilities		1,610,100,598	978,584,626

Approved for issue by the Board of Directors on November 28, 2019 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	Lead Independent Director	Dave Garcia	Corporate Secretary

NCB Financial Group Limited

Consolidated Statement of Changes in Equity

Year ended September 30, 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital	Treasury Shares	Reserve from the Scheme of Arrangement	Fair Value and Capital Reserves	Loan Loss Reserve	Banking Reserve Fund	Retained Earnings Reserve	Retained Earnings	Non-controlling interest	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at October 1, 2017		153,827,330	(330,129)	(147,034,858)	9,596,567	4,287,288	6,567,333	35,650,000	53,430,238	-	115,993,769
Total comprehensive income		-	-	-	(6,061,452)	-	-	-	27,477,359	1,032,437	22,448,344
Transfer from Loan Loss Reserve		-	-	-	-	(816,798)	-	-	816,798	-	-
Transfer to Banking Reserve Fund		-	-	-	-	-	31,109	-	(31,109)	-	-
Transfer to Retained Earnings Reserve		-	-	-	-	-	-	3,600,000	(3,600,000)	-	-
Purchase of treasury shares	42	-	(720,656)	-	-	-	-	-	-	-	(720,656)
Non-controlling interest on acquisition of subsidiary		-	-	-	-	-	-	-	-	8,511,323	8,511,323
Transaction with owners of the Company	53										
Dividends paid		-	-	-	-	-	-	-	(6,648,452)	-	(6,648,452)
Balance at September 30, 2018		153,827,330	(1,050,785)	(147,034,858)	3,535,115	3,470,490	6,598,442	39,250,000	71,444,834	9,543,760	139,584,328
Impact of initial application of IFRS 9	58	-	-	-	1,914,494	(245,692)	-	-	(3,457,496)	(37,556)	(1,826,250)
Balance at 1 October 2018		153,827,330	(1,050,785)	(147,034,858)	5,449,609	3,224,798	6,598,442	39,250,000	67,987,338	9,506,204	137,758,078
Total comprehensive income		-	-	-	7,709,337	-	-	-	29,099,367	1,576,390	38,385,094
Transfer from Loan Loss Reserve		-	-	-	-	(277,174)	-	-	277,174	-	-
Transfer to Banking Reserve Fund		-	-	-	-	-	26,767	-	(26,767)	-	-
Transfer to Retained Earnings Reserve		-	-	-	-	-	-	4,570,000	(4,570,000)	-	-
Purchase of treasury shares	42	-	(956,788)	-	-	-	-	-	-	-	(956,788)
Disposal of treasury shares	42	-	1,591,840	-	-	-	-	-	239,246	-	1,831,086
Non-controlling interest on acquisition of subsidiary	54	-	-	-	-	-	-	-	-	29,069,702	29,069,702
Recognition of treasury shares on acquisition of subsidiary		-	(10,340,520)	-	-	-	-	-	-	-	(10,340,520)
Dividends paid to non-controlling interest		-	-	-	-	-	-	-	-	(415,704)	(415,704)
Transaction with owners of the Company											
Dividends paid	53	-	-	-	-	-	-	-	(8,297,152)	-	(8,297,152)
Balance at September 30, 2019		153,827,330	(10,756,253)	(147,034,858)	13,158,946	2,947,624	6,625,209	43,820,000	84,709,206	39,736,592	187,033,796

NCB Financial Group Limited

Consolidated Statement of Cash Flows

Year ended September 30, 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 $'000	2018 $'000
Cash Flows from Operating Activities			
Net profit		30,692,025	28,580,966
Adjustments to reconcile net profit to net cash (used in)/provided by operating activities		(19,955,440)	19,957,599
	48	10,736,585	48,538,565
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment	29	(4,170,072)	(2,541,303)
Acquisition of intangible assets – computer software	28	(4,789,731)	(3,948,971)
Net cash acquired on purchase of subsidiary	54	16,645,363	1,822,570
Net proceeds from partial disposal of associate	24	-	2,709,769
Proceeds from disposal of property, plant and equipment		217,403	473,030
Proceeds from disposal of subsidiary	54	6,465,579	-
Purchase of investment property	25	(1,197,161)	(8,971)
Dividends received from associates	24	731,336	1,100,633
Purchases of investment securities		(302,853,958)	(379,552,551)
Sales/maturities of investment securities		370,971,091	342,691,491
Net cash provided by/(used) in investing activities		82,019,850	(37,254,303)
Cash Flows from Financing Activities			
Repayment of securitisation arrangements		(8,798,148)	(8,605,600)
Proceeds from other borrowed funds		47,136,182	56,633,130
Repayments of other borrowed funds		(40,093,210)	(32,510,656)
Due to banks		(5,629,837)	(4,749,583)
Purchase of treasury shares	42	(956,788)	(720,656)
Proceeds from disposal of treasury shares	42	1,831,086	-
Dividends paid		(8,297,152)	(6,648,452)
Net cash (used in)/provided by financing activities		(14,807,867)	3,398,183
Effect of exchange rate changes on cash and cash equivalents		3,739,331	(2,449,510)
Net increase in cash and cash equivalents		81,687,899	12,232,935
Cash and cash equivalents at beginning of period		75,170,642	62,937,707
Cash and Cash Equivalents at End of Period		156,858,541	75,170,642
Comprising:			
Cash in hand and balances at Central Banks	17	25,218,426	31,134,075
Due from banks	18	133,792,014	41,463,485
Reverse repurchase agreements	20	2,198,982	312,414
Investment securities	22	10,806,108	12,064,968
Due to banks	32	(15,156,989)	(9,804,300)
		156,858,541	75,170,642

*The principal non-cash transaction for the year is the sale of JMMB shares for which bonds were received totaling

NCB Financial Group Limited

Statement of Comprehensive Income

Year ended September 30, 2019

(expressed in Jamaican dollars unless otherwise indicated)

$9,182,882,000.

	Note	2019 $'000	2018 $'000
Income			
Management fees	7	7,226,241	5,117,427
Dividend income	11	9,720,304	9,382,928
Credit impairment losses		(1,408)	-
Losses on foreign currency activities	8	(1,460,519)	(1,911,720)
		15,484,618	12,588,635
Expenses			
Staff costs	12	3,551,637	1,722,148
Other operating expenses	14	2,054,781	2,252,035
		5,606,418	3,974,183
Operating profit		9,878,200	8,614,452
Interest income	6	717,380	1,300,381
Interest expense	6	(4,604,443)	(4,146,382)
Profit before Taxation		5,991,137	5,768,451
Taxation	15	1,144,567	1,205,764
NET PROFIT		7,135,704	6,974,215
Other comprehensive income			
Changes in unrealised gains on securities designated as FVOCI		1,331	-
TOTAL COMPREHENSIVE INCOME		**7,137,035**	**6,974,215**

NCB Financial Group Limited

Statement of Financial Position

September 30, 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 $'000	2018 $'000
ASSETS			
Due from banks	18	3,844,168	16,576,953
Loan to related party	21	251,852	-
Investment securities	22	7,115,932	7,115,932
Investment in subsidiaries		214,033,422	185,932,668
Deferred income tax assets	30	2,639,306	1,494,739
Income tax recoverable		195,993	66,230
Other assets	31	15,023,698	3,692,115
Total Assets		243,104,371	214,878,637
LIABILITIES			
Due to banks	32	12,612,020	-
Other borrowed funds	34	76,227,470	60,149,078
Other liabilities	41	847,855	706,766
Total Liabilities		89,687,345	60,855,844
EQUITY			
Share capital	42	153,827,330	153,827,330
Treasury shares		(561,635)	(720,656)
Fair value reserves		1,331	-
Retained earnings		150,000	916,119
Total Equity		153,417,026	154,022,793
Total Equity and Liabilities		243,104,371	214,878,637

Approved for issue by the Board of Directors on November 28, 2019 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	Lead Independent Director	Dave Garcia	Corporate Secretary

NCB Financial Group Limited

Statement of Changes in Equity

Year ended September 30, 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital	Treasury Shares	Fair Value & Capital Reserves	Retained Earnings	Total
		$'000	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 October 2017	42	153,827,330	-	-	602,164	154,429,494
Total comprehensive income		-	-		6,974,215	6,974,215
Purchase of treasury shares			(720,656)	-	-	(720,656)
Transaction with owners of the Company -				-		
Dividends paid		-	-	-	(6,660,260)	(6,660,260)
Balance at September 30, 2018		153,827,330	(720,656)	-	916,119	154,022,793
Total comprehensive income		-	-	1,331	7,135,704	7,137,035
Purchase of treasury shares	42	-	(1,551,736)	-	-	(1,551,736)
Disposal of treasury shares	42	-	1,710,757	-	466,907	2,177,664
Transaction with owners of the Company -		-	-	-	-	-
Dividends paid	53	-	-	-	(8,368,730)	(8,368,730)
Balance at September 30, 2019		153,827,330	(561,635)	1,331	150,000	153,417,026

NCB Financial Group Limited

Statement of Cash Flows

Year ended September 30, 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019	2018
		$'000	**$'000**
Cash Flows from Operating Activities			
Net profit		7,135,704	6,974,215
Adjustments to reconcile net profit to net cash provided by/(used in) operating activities:			
Interest income	6	(717,380)	(1,300,381)
Interest expense	6	4,604,443	4,146,382
Income tax expense	15	(1,144,567)	(1,205,764)
Foreign exchange losses	8	1,460,519	1,911,720
Amortisation of upfront fees		63,587	
Changes in operating assets and liabilities:			
Loans and advances		(250,000)	10,545,012
Withholding taxes		-	(128,476)
Other		(12,084,841)	1,595,754
		(8,068,239)	15,564,247
Interest received		715,450	1,518,928
Interest paid		(3,505,914)	(6,062,923)
Income tax paid		(129,763)	(19,768)
		(10,988,466)	11,000,484
Net cash (used in)/provided by operating activities		(3,852,762)	17,974,699
Cash Flows from Investing Activities			
Outflow of cash to acquire subsidiary	54	(28,100,754)	(4,153,226)
Purchases of investment securities		-	(7,000,000)
Net cash used in investing activities		(28,100,754)	(11,153,226)
Cash Flows from Financing Activities			
Purchase of treasury shares		(1,551,756)	(720,656)
Proceeds from disposal of treasury shares		1,710,757	-
Proceeds from other borrowed funds		52,971,267	29,860,974
Repayment of other borrowed funds		(37,020,669)	(12,669,825)
Due to banks		12,612,020	(29,088,688)
Dividends paid		(8,368,730)	(6,660,260)
Net cash provided by/(used in) financing activities		20,352,889	(19,278,455)
Effect of exchange rate changes on cash and cash equivalents		(1,086,094)	(737,787)
Net decrease in cash and cash equivalents		(12,686,721)	(13,194,769)
Cash and cash equivalents at beginning of period		16,530,889	29,725,657
Cash and Cash Equivalents at End of Period	18	3,844,168	16,530,888

1. Identification and Principal Activities

NCB Financial Group Limited ("the Company") is a financial holding company, incorporated and domiciled in Jamaica. The Company is 53.08% (2018 – 53.02%) 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.

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

The Company's ordinary stock units are listed on the Jamaica Stock Exchange and the Trinidad and Tobago Stock Exchange.

NCB Financial Group Limited

Notes to the Financial Statements
September 30, 2019
(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities (Continued)

The Company's subsidiaries and other consolidated entities, listed below, which together with the Company are referred to as "the Group", engage in the following principal activities:

	Country of Incorporation	Principal Activities	Percentage Ownership by the Company and its Subsidiaries	
			Company	Subsidiary
National Commercial Bank Jamaica Limited	Jamaica	Commercial Banking	100	
Data-Cap Processing Limited	Jamaica	Security Services		100
Mutual Security Insurance Brokers Limited	Jamaica	Dormant		100
NCB Capital Markets Limited	Jamaica	Securities Dealer and Stock Brokerage Services		100
NCB Capital Markets (Cayman) Limited	Cayman	Securities Dealer		100
NCB Global Finance Limited	Trinidad	Merchant Banking		100
NCB Capital Markets (Barbados) Limited	Barbados	Brokerage Services		100
NCB Capital Markets SA	Dominican Republic	Inactive		100
NCB (Cayman) Limited	Cayman	Commercial Banking		100
NCB Trust Company (Cayman) Limited *	Cayman	-		100
NCB Employee Share Scheme	Jamaica	Dormant		100
NCB Insurance Company Limited	Jamaica	Life Insurance, Investment and Pension Fund Management Services		100
N.C.B. (Investments) Limited*	Jamaica	-		100
N.C.B. Jamaica (Nominees) Limited	Jamaica	Dormant		100
NCB Remittance Services (Jamaica) Limited	Jamaica	Dormant		100
NCB Financial Services UK Limited	United Kingdom	Pension Remittances		100
West Indies Trust Company Limited	Jamaica	Trust and Estate Management Services		100
NCB Global Holdings Limited	Trinidad	Holding Company	100	
Guardian Holdings Limited	Trinidad	Holding Company		61.97
Guardian Life of the Caribbean Limited	Trinidad	Life, Health and Pensions		100
Guardian Life Limited	Jamaica	Life, Health and Pensions		100
Fatum Life Insurance N.V.	Curacao	Life, Health and Pensions		100
Fatum Life Aruba N.V.	Aruba	Life, Health and Pensions		100
Fatum Health N.V.	Curacao	Life, Health and Pensions		100
Guardian Life (OECS) Limited	Grenada	Life, Health and Pensions		100
Guardian General Insurance	Trinidad	Property and Casualty		100
Guardian General Insurance Jamaica Limited	Jamaica	Property and Casualty		100
Fatum General Insurance N.V.	Curacao	Property and Casualty		100
Fatum General Insurance Aruba N.V.	Aruba	Property and Casualty		100
Fatum Brokers Holding B.V.	Curacao	Property and Casualty		100

NCB Financial Group Limited
Notes to the Financial Statements
September 30, 2019
(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities (Continued)

	Country of Incorporation	Principal Activities	Percentage Ownership by the Company and its Subsidiaries	
			Company	Subsidiary
Guardian Holdings Limited (Continued)				
Thoma Exploitatie B.V.	Netherlands	Property and Casualty		100
Guardian Re (S.A.C) Limited	Bermuda	Property and Casualty		100
Guardian General (OECS) Limited	Grenada	Property and Casualty		59
Guardian Group Trust Limited	Trinidad	Asset Management		100
Guardian Asset Management and Investment Services Limited	Trinidad	Asset Management		100
Laevulose Inc Limited	Trinidad	Strategic Alternative Investments		100
Clarien Group Limited	Bermuda	Holding Company	50.10	
Clarien Bank Limited	Bermuda	Commercial Banking		100
First Bermuda Group Limited	Bermuda	Holding Company		100
First Bermuda Securities Limited	Bermuda	Brokerage Services		100
Onshore Nominees Limited	Bermuda	Nominee Entity of First Bermuda Group Limited		100
Offshore Nominees Limited	Bermuda	Nominee Entity of First Bermuda Group Limited		100
Clarien Investments Limited (“CIL”)	Bermuda	Investment Management		100
Clarien Brokerage Limited	Bermuda	Brokerage Services; subsidiary of CIL		100
Clarien Nominees Limited	Bermuda	Nominee Entity of CIL		100
Clarien Trust Limited	Bermuda	Trust administration		100
Clarien UK Limited	Bermuda	Inactive		100
Clarien BSX Services Limited	Bermuda	Trading member of Bermuda Stock Exchange; subsidiary of CIL		100

*No significant activities at this time

NCB Financial Group Limited
Notes to the Financial Statements
September 30, 2019
(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities (Continued)

The shareholdings for all subsidiaries are the same as they were in the prior year, with the exception of GHL, which was not a subsidiary, but an associate, with the Group then owning 29.99% of its issued capital. Additionally, in the prior year, the Group, through its subsidiary NCB Capital Markets Limited owned 100% of Advantage General Insurance Company Limited (AGIC), which was disposed of at the end of the current financial year.

The financial position and performance of the Group was affected by the acquisition of a majority stake in Guardian Holdings Limited (GHL) and the disposal of the entire shareholding in Advantage General Insurance Company. The recognition of a majority stake in GHL resulted in an increase in assets and liabilities and the recognition of goodwill and other intangible assets. The details of the transaction are disclosed in Note 54.

The Group's associates are as follows:

	Principal Activities	Percentage ownership
Dyoll Group Limited	In Liquidation	44.47
Elite Diagnostic Limited	Medical Imaging Services	18.69
Mundo Finance Limited	Micro Financing	50.00

All of the Group's associates are incorporated in Jamaica.

In 2018, the Group was particularly affected by the acquisition of a 50.1% majority stake in Clarien Group Limited (CGL). This resulted in an increase in assets and liabilities and the recognition of negative goodwill and other intangible assets. The details of the transaction are disclosed in Note 54.

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 investment securities (carried at FVOCI), available-for-sale (AFS) or fair value through profit or loss (FVPL), 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.

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:

IFRS 9, 'Financial Instruments', (effective for annual periods beginning on or after 1 January 2018).

The Group adopted IFRS 9 - Financial Instruments (IFRS 9) effective October 1, 2018. Resulting from the application of this new standard, the Group made changes to the accounting policies relating to the treatment of financial assets as outlined in Note 2 (g) below. The Group has elected not to restate the comparative results as allowed under the transition provisions of IFRS 9. Consequently, the 2018 comparative financial information on financial instruments is presented in accordance with IAS 39 – Financial Instruments – Recognition and Measurement as outlined in Note 2 (l). Adjustments to the carrying amounts of financial assets and financial liabilities arising from the adoption of IFRS 9 as of October 1, 2018, were recognised directly in equity. The impact of the adoption of IFRS 9 is dealt with in Note 58.

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 new insurance contracts standard IFRS 17. 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. The Group's insurance operations implemented IFRS 9 on 1 October 2018, this amendment did not have a significant impact on these financial statements.

IFRS 15, 'Revenue from Contracts with Customers' (effective for accounting periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Group has identified and reviewed the contracts with customers that are within the scope of this standard and has concluded that adoption did not have a significant impact on the Group.

2. Significant Accounting Policies (Continued)

(a) *Basis of preparation (Continued)*

Amendment to IFRS 15, 'Revenue from Contracts with Customers' (effective for accounting periods beginning on or after 1 January 2018). 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). The IASB has also included additional practical expedients related to transition to the new revenue standard. The Group's main source of revenue is out of the scope of IFRS 15. The Group has identified and reviewed the contracts with customers that are within the scope of this standard and has concluded that adoption did not have a significant impact on the Group.

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.

Amendment to IFRS 9, 'Financial instruments', on prepayment features with negative compensation **(*effective for annual periods beginning on or after 1 January 2019).*** The IASB issued a narrow-scope amendment to IFRS 9 enabling companies to measure some financial assets containing a prepayment feature which results in negative compensation at amortised cost. The relevant assets (certain loans and debt securities), would otherwise have been measured at fair value through profit or loss (FVPL). Negative compensation occurs where the contractual terms give a borrower the right to prepay the instrument before its contractual maturity, with the resulting prepayment being less than the unpaid amounts of principal and interest. To qualify for amortised cost measurement, the negative compensation must be reasonable compensation for early termination of the contract. The Group does not expect that this amendment will have a significant impact on its operations.

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.

For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. The Group does not expect any significant impact on the financial statements arising from future adoption of the standard.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

IFRS 17, 'Insurance contracts' *(effective for annual periods beginning on or after 1 January 2022)*. IFRS 17 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. The standard requires a current measurement model where estimates are remeasured each reporting period. Contracts are measured using the building blocks of discount probability –weighted cash flows, an explicit risk adjustment, and a contract service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period. This IFRS provides a common global insurance accounting standard leading to consistency in recognition, measurement, presentation and disclosure. The standard applies to annual periods beginning on or after 1 January 2021, however earlier application is permitted if IFRS 15, 'Revenue from Contracts with Customers', and IFRS 9, 'Financial Instruments', are also applied. The Group is currently assessing the impact of future adoption of the new standard on its financial statements.

IFRIC 22, 'Foreign currency transactions and advance consideration', *(effective for annual periods beginning on or after 1 January 2019)*. This IFRIC addresses foreign currency transactions or parts of transactions where there is 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. The Group does not expect any significant impact on the financial statements arising from future adoption of the interpretation.

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

IFRIC 23, 'Uncertainty over income tax treatments' (effective for annual periods beginning on or after 1 January 2019). This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS Interpretation Committee had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The Group does not expect any significant impact on the financial statements arising from future adoption of the interpretation.

Annual improvements IFRS 2015-2018 Cycle – Amendments to IAS 12 and IAS 23 *(effective for annual periods beginning on or after 1 January 2019)*. The amendments to IAS 12 clarify that all income tax consequences of dividends should be recognised in the income statement, regardless of how the tax arises. The amendments to IAS 23 clarify that if any specific borrowing remains outstanding after the related asset are ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. The Group does not expect any significant impact on the financial statements arising from future adoption of these amendments.

2. Significant Accounting Policies (Continued)

(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 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.

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 value 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.

For business combination achieved in stages, which is also referred to as a 'step acquisition', the Group remeasures the previous non-controlling interest at its acquisition-date fair value and any resulting gain or loss recognised in profit or loss or other comprehensive income (OCI) as if the non-controlling interest was directly disposed of. The non-controlling interest after remeasurement to its acquisition-date fair value is included as a part of the overall consideration for obtaining control.

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 Company'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.

2. Significant Accounting Policies (Continued)

(b) Basis of consolidation (continued)

Associates (continued)

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 between 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.

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

In the Company'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 President and Group Chief Executive Officer.

2. Significant Accounting Policies (Continued)

(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 FVOCI or AFS. In the case of changes in the fair value of monetary assets denominated in foreign currency classified as FVOCI or AFS, 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.

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.

2. Significant Accounting Policies (Continued)

(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 discounts 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.

Premium income

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

Dividend income

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

Rental Income

Rental income is recognised on an accrual basis.

Realised and unrealised investment gains and losses

Realised and unrealised gains and losses on investments measured at amortised cost or fair value through profit or loss are recognised in the consolidated income statement in the period in which they arise.

Dividend distributions

Dividend distributions to the company's shareholders are recognised as an appropriation in the Group's consolidated financial statements in the period in which the dividends are approved by the Group's Board of Directors.

2. Significant Accounting Policies (Continued)

(f) Asset under management

The Group provides custody and trustee discretionary investment management services to third parties. Such assets under management represent the managed funds administered by the Trust company.

Subscriptions, distributions and redemptions on mutual funds portfolio

Subscriptions - Units relating to the various pools of mutual funds consolidated in the Group's financial statements could be subscribed based on the net asset value per unit of the underlying funds determined on each business day.

Distributions - The net income and net realised capital gains of the various pools of mutual funds are calculated and accrued to the investor daily and distributed monthly. Investors have the option either to receive a cash distribution or to reinvest income distributions into units at the prevailing subscription price as at the date of distribution.

Redemptions - Units relating to the various pools of mutual funds consolidated in the Group's financial statements are redeemed at a price per unit based on the net asset value of the underlying funds published on the date that the request is made.

(g) 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 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.

(h) 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)

(i) Financial assets

From October 1 2018, the Group classifies its financial assets in the following measurement categories:
- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

Business model assessment
The business models are determined at the level which best reflects how the Group manages portfolios of assets to achieve business objectives. Judgement is used in determining business models, supported by relevant and objective evidence including:
- How the performance and risks of a portfolio of assets are managed, evaluated and reported to key management and how the managers of the portfolio are compensated;
- How the Group intends to generate profits from holding the portfolio of assets;
- The past experience on how the cash flows of the portfolio of assets were collected; and
- The historical and future expectations of asset sales within a portfolio.

The Group reclassifies debt instruments only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be infrequent.

Solely payments of principal and interest ("SPPI")
Where the business model is to collect or, to collect and sell a financial instruments' contractual cash flows, the Group assesses whether those cash flows represent SPPI. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVPL. The cash flows of financial assets which contain an embedded derivative are not disaggregated when determining whether their cash flows are solely payments of principal and interest but are considered in their entirety. Principal amounts include par repayments from lending and financing arrangements, and interest primarily relates to basic lending returns, including compensation for credit risk and the time value of money associated with the principal amount outstanding over a period of time. Interest can also include other basic lending risks and costs (for example, liquidity risk, servicing or administrative costs) associated with holding the financial asset for a period of time, and a profit margin.

Equity instruments
The Group has elected to measure equity holdings that fall under IFRS 9 at FVPL, unless they form part of a strategic acquisition that is not held for trading purposes.

Debt instruments
The Group classifies portfolios of debt instruments, including hybrid contracts, based on:
(i) the Group's business model for managing the asset; and
(ii) the cash flow characteristics of the asset.

2. Significant Accounting Policies (Continued)

(i) Financial assets (continued)

Initial recognition
Financial assets and liabilities are recognised when the Group becomes party to a contractual provision of the instrument. At initial recognition, regular way purchase of financial assets are recorded at fair value. The carrying value of financial assets at initial recognition includes any directly attributable transaction costs. Purchases of financial assets are recognised on the date on which the Group becomes the beneficial owner of the security.

De-recognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for de-recognition that is created or retained by the Group is recognised as a separate asset or liability in the consolidated statement of financial position. On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income (“OCI”) is recognised in profit or loss.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Classification of financial assets

After initial recognition, financial assets are measured based on the business model and the resulting classification. As required by IFRS 9, the Group applies a principles-based approach to the classification of financial assets on its business model and the nature of the cash flows of the asset. Financial instruments are classified as either:
- FVPL
- FVOCI or
- amortised cost

Financial assets measured at fair value through profit and loss (FVPL)
Financial instruments are classified in this category if they meet one of the criteria set out below and are so designated irrevocably at inception:
- this designation removes or significantly reduces an accounting mismatch; or
- when a group of financial assets and liabilities or a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, or
- the financial instrument is held for trading purposes.
- The financial instrument is a derivative that is not designated as a hedge.

2. Significant Accounting Policies (Continued)

(i) Financial assets (continued)

Financial assets measured at fair value through other comprehensive income (FVOCI)
Financial assets held for a business model that is achieved by both collecting and selling contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that SPPI are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains and losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in net gains / (losses) on investment securities. Foreign exchange gains or losses are presented in gain on foreign currency and investment activities and impairment losses are presented as a separate line item in the income statement, as credit impairment losses.

Financial assets measured at amortised cost
Financial assets that are held to collect the contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are SPPI are measured at amortised cost. Any gain or loss arising on derecognition is recognised directly in profit or loss together with foreign exchange gains or losses in gain on foreign currency and investment activities. Impairment losses are presented as a separate line item in the income statement, as credit impairment losses.

Impairment of financial assets
Under IFRS 9 the Group applies an impairment model that recognises expected credit losses (“ECL”) on financial assets measured at amortised cost and FVOCI and off balance sheet loan commitments and financial guarantees which were previously provided for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

At initial recognition, an allowance (or provision in the case of some loan commitments and financial guarantees) is required for ECL resulting from default events that are possible within the next 12 months (or less, where the remaining life is less than 12 months) (’12-month ECL’).

In the event of a significant increase in credit risk (SICR) an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument (‘lifetime ECL’). Financial assets where 12-month ECL is recognised are considered to be ‘stage 1’; financial assets which are considered to have experienced a significant increase in credit risk are in ‘stage 2’; and financial assets for which there is objective evidence of impairment and are therefore considered to be in default or otherwise credit-impaired are in stage 3’.

To determine whether the life-time credit risk has increased significantly since initial recognition, the Group considers reasonable and supportable information that is available, including information from the past as well as forward-looking information. Factors such as whether payments of principal and interest are in delinquency, an adverse change in credit rating of the borrower and adverse changes in the borrower’s industry and economic environment are considered in determining whether there has been a significant increase in the credit risk of the borrower.

Purchased or originated credit-impaired assets (POCI)
Financial assets that are purchased or originated at a deep discount that reflects their incurred credit losses, are considered to be already credit-impaired on initial recognition. The Group calculates the credit adjusted effective interest rate, which is based on the originated fair value instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows. The ECL of these financial assets is always measured on a life time basis and changes in the ECL are recorded in the Income Statement.

2. Significant Accounting Policies (Continued)

(i) Financial assets (continued)

Definition of default
The Group determines that a financial instrument is in default, credit-impaired and in stage 3 by considering relevant objective evidence, primarily whether:
- contractual payments of either principal or interest are past due for 90 days or more;
- there are other indications that the borrower is unlikely to pay such as that a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition; and
- the financial asset is otherwise considered to be in default.

If such unlikeliness to pay is not identified at an earlier stage, it is deemed to occur when an exposure is greater than 90 days past due.

Write-offs
Financial assets (and the related impairment allowances) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, write offs generally occur after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

Recognition and Measurement of ECL
The general approach to recognising and measuring ECL reflects:
- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Expected credit losses are calculated by multiplying the following three main components:
- The probability of default ("PD")
- The loss given default ("LGD") and
- The exposure at default ("EAD"), discounted at the original effective interest rate.

Management has calculated these inputs based on the estimated forward looking economic and historical experience of the portfolios adjusted for the current point in time. A simplified approach to calculating the ECL is applied to other receivables which do not contain a significant financing component. Generally, these receivables are due within 12 months unless there are extenuating circumstances. Under this approach, an estimate is made of the life-time ECL on initial recognition. For ECL provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

The PD, LGD and EAD models which support these determinations are reviewed periodically. Therefore, the underlying models and their calibration, including how they react to forward-looking economic conditions remain subject to review and refinement. This is particularly relevant for lifetime PDs, which have not been previously used in modelling and for the incorporation of scenarios which have not generally been subject to experience gained through stress testing. The exercise of judgement in making estimations requires the use of assumptions which are subjective and sensitive to risk factors, in particular to changes in economic and credit conditions across geographical areas. Many of the risk factors have a high degree of interdependency and there is no single factor to which impairment allowances as a whole are sensitive. Therefore, sensitivities are considered in relation to key portfolios which are particularly sensitive to a few factors and these results are not extrapolated to the wider population of financial assets.

2. Significant Accounting Policies (Continued)

(i) Financial assets (continued)

The measurement of ECL for each stage and the assessment of significant increases in credit risk consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions.

For a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

For defaulted financial assets, based on management's assessment of the borrower, a specific provision of expected life-time losses which incorporates collateral recoveries is calculated and recorded as the ECL. The resulting ECL is the difference between the carrying amount and the present value of expected cash flows discounted at the original effective interest rate.

Forward looking information
The estimation and application of forward-looking information requires significant judgment. PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. Each macroeconomic scenario used in the ECL calculation has forecasts of the relevant macroeconomic variables. The estimation of ECL in Stage 1 and Stage 2 is a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios. The base case scenario is based on macroeconomic forecasts that are publicly available. Upside and downside scenarios are set relative to the base case scenario based on reasonably possible alternative macroeconomic conditions.

Scenario design, including the identification of additional downside scenarios occurs on at least an annual basis and more frequently if conditions warrant. Scenarios are probability-weighted according to the best estimate of their relative likelihood based on historical frequency and current trends and conditions. Probability weights are updated on an annual basis or more frequently as warranted. The base scenario reflects the most likely outcome and is assigned the highest weighting.

The weightings assigned to each economic scenario as at October 1, 2018 and September 30, 2019 vary by jurisdiction and were as follows:

	Base	Optimistic	Pessimistic
Scenarios	85%-60%	25%-15%	15%-5%

ECL on financial assets measured at amortised cost and FVOCI, are recognised in the income statement. For FVOCI financial assets, there is a corresponding adjustment to OCI, while for financial assets measured at amortised cost, the ECL is adjusted against the carrying amount of the asset. Unrealised gains and losses arising from changes in fair value on FVOCI assets are measured in other comprehensive income. For FVOCI assets, when the asset is sold, the cumulative gain or loss in OCI (including ECL there recognised) is reclassified to investment income in determining the gain or loss on disposal.

2. Significant Accounting Policies (Continued)

(i) Financial assets (continued)

Modification of loans
The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers and debt instruments. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flow to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a new asset at fair value and recalculates the new effective interest rate for the asset. The date of negotiation is consequently considered to the be the date of initial recognition for impairment calculation purposes and the purpose of determining if there has been a significant increase in credit risk. At this point the Group will assess if the asset is POCI.

Acceptance, guarantees, indemnities, letters of credit and undertakings
Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance; and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15

Loan commitments provided by the Group are measured as the amount as the amount of the loss allowance. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the excepted credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the ECL is recognised as a provision.

2. Significant Accounting Policies (Continued)

(j) 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.

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

(k) 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)

(l) 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

See Note 2(g) for details of policy under IFRS 9 after 1 October 2018

Accounting policy prior to 1 October 2018

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)

(l) 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 for the preceding period 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. 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 (BOJ) regulatory requirements

The effect of the provision for credit losses determined under the BOJ regulatory requirements is to preserve 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 BOJ 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)

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

Provision for credit losses determined under the Bank of Jamaica (BOJ) 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 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.

(m) Investment securities

See Note 2(g) for details of policy under IFRS 9 after 1 October 2018

Accounting policy prior to 1 October 2018

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

Investment securities are classified into the following categories: investment securities at FVPL, AFS securities 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 FVPL 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 the income statement. All other realised and unrealised gains and losses are included in gain on foreign currency and investment activities in the income statement.

AFS 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 OCI. When the securities are disposed of or impaired, the related accumulated unrealised gains or losses included in OCI are transferred to the income statement.

2. Significant Accounting Policies (Continued)

(m) Investment securities (continued)

LAR 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. LAR 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.

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).

(n) Investment properties

Investment property is held for long-term rental yields and is, therefore, treated as a long-term investment.

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)

(o) 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.

Core deposits, customer relationships, distribution relationships, renewal rights, mutual fund contracts 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.

(p) 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, unless otherwise stated, 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 &Leasehold improvements	2% & Period of lease
Motor Vehicles, Furniture & Equipment	5% - 33 1/3%
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

2. Significant Accounting Policies (Continued)

(p) Property, plant and equipment (continued)

Properties for development and re-sale

Properties for sale or under construction that are intended for sale, are classified as properties for development and sale. These balances are carried at the lower of cost and net realisable values. These properties include offices, retail shops and residential units.Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated selling expenses. An external valuation specialist was engaged in determining the net realisable value for the office and retail shops, and a discounted cash flow model was used as there is a lack of comparable data because of the nature of the properties. For the residential units, data from binding sales transactions are used to assess the net realisable value. Impairment losses on properties for development and sale are recognised in the consolidated statement of income when the net realisable value is lower than cost. Subsequently, where cost is less than the net realisable value, a reversal of any prior impairment losses is recognised in the consolidated statement of income. This cannot exceed original cost. Reclassification to investment properties are made when the Group enters into an operating lease with a third party. Transfers are done at fair value.

(q) 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.

(r) 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.

(s) 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.

(t) Structured products

Structured products are recognised initially at the nominal amount when funds are received. Derivatives are separately accounted for at FVPL (Note 19). The non-derivative elements are stated at amortised cost using the effective interest method.

2. Significant Accounting Policies (Continued)

(u) 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)

(v) 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 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 and health 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 legislations in the countries where the Group has issued these contracts. 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).

Marine insurance contracts indemnify the Group's customers for loss or damage to their insured cargo, commercial hull and pleasure craft vessels. Third party coverage is also provided.

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.

Health insurance contracts provide for both unexpected and preventative medical treatment and drugs. On these contracts, the benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder. There are no maturity or surrender benefits.

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.

2. Significant Accounting Policies (Continued)

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

Recognition and measurement (continued)

Short duration insurance contracts (continued)
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. Unearned premiums relating to marine cargo are calculated using 180 days after the first date of sailing. Unearned premiums relating to group life are calculated based on 25% of net premiums written.

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-term duration insurance contracts
These contracts insure events associated with human life (death, longevity, critical illnesses etc.) over a long duration and include annuity contracts. The contracts issued by the Group are organised by broad categories according to the features they contain. There are three main categories:

(1) Long-term insurance contracts with fixed and guaranteed terms and with discretionary participation features (DPF),
(2) Long-term insurance contracts with fixed and guaranteed terms and without DPF and
(3) Long-term insurance contracts without fixed terms.

These categories can be further segregated into “Unit-linked contracts” and “Interest-sensitive contracts”. The premiums paid for long duration insurance contracts either cover only the insured event, or they may comprise a portion that covers the insured event, and another portion to accumulate cash values available for withdrawal at the option of the policyholder. These cash values are increased by credited interest and decreased by policy administration fees, surrender charges and any withdrawals. Revenue consists of fees deducted for policy administration, mortality and surrenders and interest credited is treated as an expense. Some of these contracts contain guarantees that entitle the holders to a minimum guaranteed crediting rate over the life of the policy. These guarantees are allowed for in the liability calculations. The interest credited to Unit-linked contracts are determined by reference to specific and separately identifiable pools of assets.

2. Significant Accounting Policies (Continued)

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

Recognition and measurement (continued)
Long-term duration insurance contracts (continued)

Long-term insurance contracts with fixed and guaranteed terms and with DPF
Insurance contracts may or may not contain discretionary participation features ('DPF'), which entitles the policyholder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:
a) That are likely to be a significant portion of the total contractual benefits;
b) Whose amount or timing is contractually at the discretion of the Group; and
c) That are contractually based on:
(i) The performance of a specified pool of contracts or a specified type of contract;
(ii) realised and/or unrealised investment returns on a specified pool of assets held by the Group; or
(iii) the profit or loss of the Group, fund or other entity that issues the contract.

The terms and conditions of these contracts set out the basis for the determination of discretionary benefits and within which the Group may exercise its discretion as to the quantum and timing of their payments to contract holders, which will be subject to actuarial advice.

Long-term insurance contracts with fixed and guaranteed terms and without (DPF)
These contracts do not contain features that provide additional benefits outside of those guaranteed at inception.

Long-term insurance contracts without fixed terms
These contracts prescribe no fixed terms or contain variable terms that have a material effect on the amount, timing, and uncertainty of the insurer's future cash flows.

Insurance liabilities
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.

2. Significant Accounting Policies (Continued)

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

Recognition and measurement (continued)
Long-term duration insurance contracts (continued)

Insurance liabilities (continued)
Long duration insurance contract liabilities are calculated by independent actuaries at each statement of financial position date using the varying methods, each prescribed by the regulators in the respective jurisdictions. The change in these liabilities are recognised in the income statement.

For the Trinidad and Tobago life insurance subsidiaries, actuarial liabilities are calculated using the Caribbean Policyholder Premium Method (CPPM) outlined in draft regulations issued by the Central Bank of Trinidad and Tobago. The Jamaican life insurance subsidiary use a very similar Policyholder Premium Method (PPM) as required under the Insurance Act 2001 of Jamaica. For the Dutch Caribbean life insurance subsidiaries, reserves are calculated on a Modified Net Premium Method in accordance with the requirements of the Central Bank of Curacao and St. Maarten and the Central Bank of Aruba.

Premiums
Premiums are shown before deduction of commission and are recognised as revenue when they become payable by the policyholder except for the following:
(a) A Jamaican life insurance subsidiary issues policies classified as Unit-linked long-term contracts with fixed and guaranteed terms without DPF, for which the investment component of the premiums are recognised as liabilities. The insurance component of the premiums are recognised as income.
(b) A Jamaican life insurance subsidiary issues policies classified as Interest sensitive long-term contracts without fixed terms, for which the investment component of premiums are recognised as liabilities. The insurance component of the premiums are recognised as income.

Investment contracts
The Group issues investment contracts including deposit administration contracts. Premiums under these contracts are recognised directly as liabilities. These liabilities are increased by credited interest or change in the unit prices and are decreased by policy administration fees, mortality and surrender charges and any withdrawals. Revenue consists of investment income and interest credited is treated as an expense.

Unit Linked Contracts

Unit-Linked funds represent funds maintained to meet specific investment objectives of policyholders who bear investment risk. The returns earned by investment of the funds, inclusive of realised and unrealised gains and losses accrued directly to the policyholders.

For the unit-linked contracts, the portion of the premium covering the insured risk is recorded as premium income. The portion of the premium which accumulates to cash value for the policyholder is unbundled and recorded as a liability and credited to the account of the policyholder in the respective unit-linked fund to which the contract is linked.

The liabilities arising from the unit-linked contracts comprise the liability for the insured risk and the accumulated cash value. The liability for the insurance risk is determined in a manner identical to the liability for contracts with fixed and guaranteed terms and is included in the policyholders' liability balance while the liability for the accumulated cash value is carried at fair value and is determined by reference to the fair value of the assets which fund the liabilities.

2. Significant Accounting Policies (Continued)

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

Recognition and measurement (continued

Unit Linked Contracts (Continued)

The assets and liabilities of the segregated funds are carried at fair values. Deposits and withdrawals are charged or are credited to the segregated fund liabilities. Unit values are determined by dividing the value of the assets in the funds on a valuation date by the number of units in the funds on the valuation date. The Group earns fees for the management of the funds assets, policy administration, as well as for effecting the encashment of units.

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.

2. Significant Accounting Policies (Continued)

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

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.

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 consolidated 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 consolidated income statement.

Salvage and subrogation reimbursements
Some insurance contracts permit the Group to sell (usually damaged) property acquired in settling a claim (salvage). The Group may also have the right to pursue third parties for payment of some or all costs (subrogation). The estimated cost of claims includes a deduction for the expected value of salvage and other recoveries.

(w) 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)

(x) 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 sovereign and corporate 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 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)

(x) 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.

(y) 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 57.

(z) 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 Company, its subsidiaries or consolidated entities acquire the shares of the Company, the consideration paid, including any directly attributable incremental costs (net of taxes) is deducted from equity attributable to the Company'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, are included in equity attributable to the Company's stockholders. The Company's outstanding shares exclude treasury shares.

(aa) 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.

Business combinations

Business combinations are accounted for using the acquisition method. The Group determines the identifiable assets and liabilities using the purchase price allocation method. Under this method, the Group makes estimates about future cash flows which are derived based on factors such as revenue growth, margins and expense ratios, working capital requirements, attrition rates and discount rates in determining the fair values of the identifiable intangible assets. Where a business combination results in the identification of goodwill, goodwill impairment assessments are done annually. The performance of the goodwill impairment assessments also requires estimating future cash flows which are derived using factors similar to those used in determining the fair values of the other intangibles discussed above. These estimates are particularly sensitive to the determined cash flows and the discount rates.

In performing step acquisitions (moving from an investment in associated company to a subsidiary and obtaining control), the Group is required to premeasure previously held equity interests (PHEI) to fair value as part of determining the purchase consideration in doing the purchase price accounting for the entire controlling stake. For the GHL step acquisition, in determining fair value of its PHEI, the Group determined that neither the share price listed on the Trinidad and Tobago Stock Exchange (TTSE) nor the transaction price for the recently acquired stake were reflective of fair value. The Group considered GHL's share price traded on the TTSE on or prior to the transaction date. Based on the Group's analysis, GHL's shares are thinly traded and therefore do not reflect the fair value. GHL's share price was also influenced by investor's knowledge of the potential take-over. The Group also considered the transaction price for the additional shares to achieve control. The purchase price per share was based on a lock-up agreement entered in 2016 and was not reflective of the fair value as at the purchase date. Management therefore commissioned an independent valuation of the PHEI, which valuation used estimates about future cash flows, derived based on factors identical to those described above. These estimates are also particularly sensitive to the determined cash flows and the discount rates.

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

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 of financial assets – Policies under IFRS 9

In determining ECL, management is required to exercise judgement in defining what is considered a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions. Further information about the judgements involved is included in the sections 'Measurement of ECL' and 'Forward-looking information'.

Establishing staging

The Group establishes staging for different categories of financial assets according to the following criteria:

Debt securities and Deposits.

The Group uses its internal credit rating model to determine which of the three stages an asset is to be categorized for the purposes of ECL. The Group’s internal credit rating model is a scale which allows for distinctions in risk characteristics and is referenced to the rating scale of international credit rating agencies. The scale is summarised in the following table:

Internal Rating	Classification	External rating – S&P or equivalent
Low Risk	Investment Grade	AAA – BBB
Medium Risk	Non-Investment Grade	BB – B
High Risk	Non-Investment Grade	CCC - C
Default	Default	D

For investment securities, once the asset has experienced a significant increase in credit risk the investment will move from Stage 1 to Stage 2. The Group has assumed that the credit risk of a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial asset that is investment grade is considered low credit risk. Stage 1 instruments are classified as follows:

(i) investment grade, or
(ii) below investment grade at origination, and have not been downgraded more than 2 notches since origination.

Stage 2 instruments are assets which:

(i) have been downgraded from investment grade to below investment grade, or
(ii) are rated below investment grade at origination and have been downgraded more than 2 notches since origination.

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

Impairment of financial assets – Policies under IFRS 9. (continued)

Debt securities and Deposits. (continued)

Stage 3 instruments are assets in default.

Other assets measured at amortised cost include, lease receivables, loan commitments and financial guarantee contracts. The assessment of significant increase in credit risk for these assets requires significant judgment. Movements between Stage 1 and Stage 2 are based on whether an instrument's credit risk at the reporting date has increased significantly relative to the date it was initially recognised. For the purposes of this assessment, credit risk is based on an instrument's lifetime PD, not the losses the Bank expects to incur.

All loans receive an initial risk rating at origination. The Group has established a credit quality review process involving analysis of the ability of borrowers and other counterparties to meet interest and capital repayment obligations based on factors that include days past due ("DPD"), performance and other known material changes. Ratings of individual loans are based on the following criteria:

- Credit structure and cash flow stability;
- Specific loan and collateral characteristics;
- Guarantees and other credit support;
- Macro-economic factors; and
- Financial and management information for commercial loans.

This assessment results in each facility being classified as "low risk", "medium risk" or "high risk". The Group considers loans that have missed a full payment cycle, to have experienced a significant increase in credit risk. The Bank assesses loans as having experienced a significant increase in credit risk if any other qualitative indicator is triggered such as, known financial difficulty, credit issue with another account, expected forbearance or restructuring. If any of these factors indicates that a significant increase in credit risk has occurred, the instrument is moved from Stage 1 to Stage 2.

The thresholds for movement between Stage 1 and Stage 2 are symmetrical. After a financial asset has migrated to Stage 2, if its credit risk is no longer considered to have significantly increased relative to its initial recognition, the financial asset will move back to Stage 1.

Forward looking information
When management determines the macro-economic factors that impact the portfolios of financial assets, they first determine all readily available information within the relevant market. Portfolios of financial assets are segregated based on product type, historical performance and homogenous country exposures. There is often limited timely macro-economic data for Caribbean markets. Management assesses data sources from local government, International Monetary Fund and other reliable data sources. A regression analysis is performed to determine which factors are most closely correlated with the credit losses for each portfolio. Where projections are available, these are used to forecast up to three years and subsequently the long term average performance is then used for the remaining life of the product. These projections are reassessed on an annual basis.

Fair value of investment securities
Management uses its judgment in selecting appropriate valuation techniques to determine fair value of investment securities. These techniques are described in Note 51.

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. 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. For the Trinidad and Tobago life insurance subsidiaries, actuarial liabilities are calculated using the CPPM. The Jamaican life insurance subsidiaries use PPM. Both the CPPM and PPM valuations are 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.

For the Dutch Caribbean life insurance subsidiaries, reserves are calculated on a Modified Net Premium Method. The Net Premium Method values liabilities as the present value of future benefits minus the present value of future net premiums.

The ultimate liability arising from claims made under short duration 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 judgment 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 plans. 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 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. 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 0.43% (2018 - 0.40%) of the units in the Unit Trust at September 30, 2019.

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.

Mutual Funds

The Group manages a series of mutual funds through its trust and asset management subsidiaries, Guardian Group Trust Limited and Guardian Asset Management and Investment Services Limited. These funds invest mainly in equity securities, debt securities and cash and cash equivalents. As at the consolidated statement of financial position date, the Group has determined that it controls specific funds. Similar to the Group's consolidation of its subsidiaries, the assets and liabilities of these funds have been consolidated in the financial statements on a line-by-line basis. The carrying value of the total investments and cash held by the funds are recorded as investment securities of mutual fund unit holders and cash and cash equivalents of mutual fund unit holders respectively on the consolidated statement of financial position. Interests held by external parties in the funds that are consolidated are recorded as third party interest in mutual funds on the consolidated statement of financial position.

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

Investment in Associates

In the prior year, for its investments in associated companies which are listed on local or regional stock exchanges, (which investments are now disposed of) with carrying values determined using the equity method which exceed market capitalisation, management had made determinations as to whether there were impairment indicators, which would require a formal impairment assessment. In determining whether there were impairment indicators, management had determined whether there has been a significant or prolonged decline below purchase price for the investments, and whether or not there were performance indicators which implied impairment. Where no such indicators, existed, management concluded that there was no impairment and had not adjusted the carrying value.

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

4. Responsibilities of the Appointed Actuaries and External Auditors

The Boards of Directors of the insurance subsidiaries, pursuant to the legislation in the various jurisdictions where the Group operates, 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. In performing valuations for the general insurance companies assumptions are also made in relation to loss ratios, earned income ratios, loss development factors etc.

The shareholders pursuant to the legislation in the various jurisdictions where the Group operates 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 reports on the policyholders' liabilities.

5. Segment Reporting

The Group is organised into the following business segments:

(a) Commercial & Consumer – This incorporates the provision of banking services to individual and small and medium business clients and pension 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 Group'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 certain overseas subsidiaries.

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

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

The Group's trustee services and the outstanding transactions and balances of certain inactive subsidiaries are classified as other for segment reporting.

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 Group that are not allocated to the banking segments.

Direct allocated costs and unallocated corporate expenses
Costs incurred by the support units of NCBJ 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.

Geographical
The Group operates mainly via four geographical segments; Jamaica, Trinidad & Tobago, Dutch Antilles & Bermuda. It operates in Life and health insurance & pension fund management and General insurance segments within all four geographical segments and primarily in Jamaica within the Commercial & Consumer, Payment Services, Corporate banking, Treasury & correspondent banking and Wealth, asset management & investment banking segments. The Jamaica segment represents 71.4% (2018 - 89%), Trinidad & Tobago segment represents 10.9% (2018 – nil), Bermuda represents 7.5% (2018 – 7%) and Dutch Antilles represents 2.3% (2018 – nil) of total operating income.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2019

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5. Segment Reporting (Continued)

Year ended September 30, 2019	Commercial & Consumer $'000	Payment Services $'000	Corporate Banking $'000	Treasury & Correspondent Banking $'000	Wealth, Asset Management & Investment Banking $'000	Life &Health Insurance & Pension Fund Management $'000	General Insurance $'000	Other $'000	Eliminations $'000	Total $'000
External revenue	30,269,607	16,731,518	10,575,574	15,592,674	15,709,862	52,163,045	27,402,192	2,192,709	-	170,637,181
Revenue from other segments	2,036,630	-	317,584	5,445,625	11,311,914	72,303	250,242	17,672,530	(37,106,828)	-
Total revenue	32,306,237	16,731,518	10,893,158	21,038,299	27,021,776	52,235,348	27,652,434	19,865,239	(37,106,828)	170,637,181
Net interest income	23,102,162	5,418,956	5,595,928	2,085,065	4,784,874	8,302,089	816,623	(2,334,507)	(3,048,955)	44,722,235
Net fee and commission income	4,860,085	5,754,119	961,680	402,971	3,901,888	2,457,320	1,322,139	1,796,946	(5,287,038)	16,170,110
Gain on foreign currency and investment activities	241,041	(1,533)	208,791	8,693,531	4,598,896	4,438,842	405,013	(125,853)	(3,664,773)	14,793,955
Net insurance activities	-	-	-	-	-	9,597,806	5,239,425	-	(405,716)	14,431,515
Credit impairment losses	(4,173,251)	(977,370)	(59,362)	538,456	329,664	(357,014)	(85,656)	(41,033)	814	(4,824,752)
Other operating income and dividend income	238,420	3,550	1,161	89,320	463,937	1,438,500	100,640	3,158,495	(3,266,052)	2,227,971
Total operating income	24,268,457	10,197,722	6,708,198	11,809,343	14,079,259	25,877,543	7,798,184	2,454,048	(15,671,720)	87,521,034
Staff costs	9,777,214	1,042,758	349,166	268,586	2,028,194	3,308,616	2,645,522	1,136,439	3,340,185	23,896,680
Depreciation and amortisation	1,137,272	551,667	9,003	13,379	135,306	435,464	405,385	2,057,839	(137,248)	4,608,067
Other operating expenses	4,749,504	2,852,730	495,276	1,106,209	2,022,364	3,393,890	2,413,878	1,086,924	(5,769,632)	12,351,143
Total operating expenses	15,663,990	4,447,155	853,445	1,388,174	4,185,864	7,137,970	5,464,785	4,281,202	(2,566,695)	40,855,890
Operating profit before allocated costs	8,604,467	5,750,567	5,854,753	10,421,169	9,893,395	18,739,573	2,333,399	(1,827,154)	(13,105,025)	46,665,144
Allocated costs	(9,018,055)	(2,113,845)	(644,550)	(523,680)	-	-	-	-	-	(12,300,130)
Operating profit c/fwd	(413,588)	3,636,722	5,210,203	9,897,489	9,893,395	18,739,573	2,333,399	(1,827,154)	(13,105,025)	34,365,014

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5. Segment Reporting (Continued)

Year ended September 30, 2019	Commercial & Consumer	Payment Services	Corporate Banking	Treasury & Correspondent Banking	Wealth, Asset Management & Investment Banking	Life & Health Insurance & Pension Fund Management	General Insurance	Other	Eliminations	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Operating profit b/fwd	(413,588)	3,636,722	5,210,203	9,897,489	9,893,395	18,739,573	2,333,399	(1,827,154)	(13,105,025)	34,365,014
Unallocated corporate expenses										(8,536,619)
Gain on disposal of subsidiary										2,626,425
Share of profit of associates										2,897,176
Gain on disposal of associate										3,291,544
Gain on revaluation on investment in associate										2,329,179
Profit before Taxation										36,972,719
Taxation										(6,280,694)
Net Profit										30,692,025
Segment assets	420,800,189	28,996,202	126,194,622	329,569,352	269,046,779	451,175,807	104,247,538	54,561,377	(193,078,271)	1,591,513,595
Associates										5,271,465
Unallocated assets										13,315,538
Total assets										1,610,100,598
Segment liabilities	369,547,583	17,462,507	92,741,678	327,937,875	223,599,296	344,878,799	75,253,247	83,248,946	(129,725,925)	1,404,944,006
Unallocated liabilities										18,122,796
Total liabilities										1,423,066,802
Capital expenditure	3,640,303	987,573	333,064	142,982	1,121,849	1,411,388	914,695	407,948	-	8,959,802

5. Segment Reporting (Continued)

Year ended September 30, 2019	Total per segment report $'000	Allocated expenses $'000	Unallocated corporate expenses $'000	Total per income statement $'000
Reconciliation to income statement				
Net interest income	44,722,235	(98,111)	(29,040)	44,595,084
Net fee and commission income	16,170,110	150,252	2,859,471	19,179,833
Gain on foreign currency and investment activities	14,793,955	1,886	564	14,796,405
Net result from insurance activities	14,431,515	-	-	14,431,515
Other operating income and dividend income	2,227,971	122,856	36,368	2,387,195
Credit impairment losses	(4,824,752)	17	2	(4,824,733)
Staff costs	(23,896,680)	(6,345,531)	(1,878,333)	(32,120,544)
Depreciation and amortisation	(4,608,067)	(1,800,426)	(532,942)	(6,941,435)
Other operating expenses	(12,351,143)	(4,331,073)	(8,992,709)	(25,674,925)
Operating profit	46,665,144	(12,300,130)	(8,536,619)	25,828,395

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5. Segment Reporting (Continued)

Year ended September 30, 2018	Commercial & Consumer $'000	Payment Services $'000	Corporate Banking $'000	Treasury & Corresponden t Banking $'000	Wealth, Asset Management & Investment Banking $'000	Life & Health Insurance & Pension Fund Management $'000	General Insurance $'000	Other $'000	Eliminations $'000	Total $'000
External revenue	27,630,759	14,353,566	8,085,381	15,104,341	15,245,806	13,941,211	6,368,204	(1,949,321)	-	98,779,947
Revenue from other segments	1,848,174	-	665,453	5,959,214	3,110,753	119,860	273,514	796,663	(12,773,631)	-
Total revenue	29,478,933	14,353,566	8,750,834	21,063,555	18,356,559	14,061,071	6,641,718	(1,152,658)	(12,773,631)	98,779,947
Net interest income	20,072,754	4,097,317	3,694,216	3,874,251	4,020,580	2,183,948	641,938	6,234	(2,846,001)	35,745,237
Net fee and commission income	4,775,732	5,022,165	1,017,802	492,820	2,272,843	2,044,728	93,256	87,417	(2,951,975)	12,854,788
Gain on foreign currency and investment activities	220,942	10,153	69,231	6,641,524	6,062,121	4,545,502	80,278	211,037	(2,217,350)	15,623,438
Net insurance activities	-	-	-	-	-	2,411,950	1,687,433	-	(302,092)	3,797,291
Provision for credit losses	(1,105,165)	(532,120)	(51,397)	11,003	(282,999)	-	-	-	-	(1,960,678)
Other operating income and dividend income	372,150	4,159	1,402	217,525	471,247	141,245	85,371	796,466	(1,151,399)	938,166
Total operating income	24,336,413	8,601,674	4,731,254	11,237,123	12,543,792	11,327,373	2,588,276	1,101,154	(9,468,817)	66,998,242
Staff costs	10,322,682	904,652	322,046	216,986	1,678,038	1,021,398	874,336	1,831,014	(168,407)	17,002,745
Depreciation and amortisation	924,697	521,303	8,041	11,335	112,833	148,236	70,395	1,300	72,546	1,870,686
Other operating expenses	3,789,044	2,637,291	432,606	1,070,750	1,571,668	624,249	557,831	34,657	(3,360,586)	7,357,510
Total operating expenses	15,036,423	4,063,246	762,693	1,299,071	3,362,539	1,793,883	1,502,562	1,866,971	(3,456,447)	26,230,941
Operating profit before allocated costs	9,299,990	4,538,428	3,968,561	9,938,052	9,181,253	9,533,490	1,085,714	(765,817)	(6,012,370)	40,767,301
Allocated costs	(6,550,650)	(1,660,672)	(562,129)	(383,991)	-	-	-	-	-	(9,157,442)
Operating profit c/fwd	2,749,340	2,877,756	3,406,432	9,554,061	9,181,253	9,533,490	1,085,714	(765,817)	(6,012,370)	31,609,859

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5. Segment Reporting (Continued)

	Consumer and SME									
Year ended September 30, 2018	**Retail & SME**	**Payment Services**	**Corporate Banking**	**Treasury & Correspondent Banking**	**Wealth, Asset Management & Investment Banking**	**Life & Health Insurance & Pension Fund Management**	**General Insurance**	**Other**	**Eliminations**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Operating profit b/fwd	2,749,340	2,877,756	3,406,432	9,554,061	9,181,253	9,533,490	1,085,714	(765,817)	(6,012,370)	31,609,859
Unallocated corporate expenses										(5,423,802)
Negative goodwill on acquisition of subsidiary										4,392,149
Share of profit of associates and gain on dilution										2,573,232
Gain on partial disposal of associates										837,480
Profit before Taxation										33,988,918
Taxation										(5,407,952)
Net Profit										28,580,966
Segment assets	371,812,382	28,225,714	112,327,839	301,620,091	216,828,952	53,116,340	15,382,157	17,917,104	(180,024,696)	937,205,883
Associates										35,125,894
Unallocated assets										6,252,849
Total assets										978,584,626
Segment liabilities	350,172,772	15,096,641	88,719,098	281,807,212	183,402,301	34,062,392	8,648,602	257,701	(123,982,993)	838,183,726
Unallocated liabilities										816,572
Total liabilities										839,000,298
Capital expenditure	2,981,420	1,066,251	254,380	183,449	842,017	486,332	577,075	99,350	-	6,490,274

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5. Segment Reporting (Continued)

Year ended September 30, 2018	**Total per segment report $'000**	**Allocated expenses $'000**	**Unallocated corporate expenses $'000**	**Total per income statement $'000**
Reconciliation to income statement				
Net interest income	35,745,237	(463,774)	(137,279)	35,144,184
Net fee and commission income	12,854,788	166,071	2,843,115	15,863,974
Gain on foreign currency and investment activities	15,623,438	(9,412)	(2,786)	15,611,240
Net result from insurance activities	3,797,291	-	-	3,797,291
Other operating income and dividend income	938,166	170,202	50,383	1,158,751
Staff costs	(17,002,745)	(5,226,515)	(1,547,093)	(23,776,353)
Provision for credit losses	(1,960,678)	30	10	(1,960,638)
Depreciation and amortisation	(1,870,686)	(1,235,862)	(365,824)	(3,472,372)
Other operating expenses	(7,357,510)	(2,558,182)	(6,264,328)	(16,180,020)
Operating profit	40,767,301	(9,157,442)	(5,423,802)	26,186,057

6. Net Interest Income

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Interest income				
Loans and advances	42,265,996	34,590,764	1,930	14,442
Investment securities –				
Fair value through other comprehensive income/(available for sale – 2018)	18,382,376	14,057,832	551,064	196,941
Amortised cost/(loans and receivables – 2018)	3,495,283	2,624,640	-	-
FVPL	-	270,399	-	-
Reverse repurchase agreements	91,042	100,304	-	-
Deposits and other	833,531	591,867	164,386	1,088,998
	65,068,228	52,235,806	717,380	1,300,381
Interest expense				
Customer deposits	4,034,586	3,972,268	-	-
Repurchase agreements	5,193,791	4,008,395	-	-
Policyholders' benefits	1,499,512	967,114	-	-
Securitisation arrangements	3,473,877	4,144,887	-	-
Other borrowed funds and amounts due to banks	6,271,378	3,998,958	4,604,443	4,146,382
	20,473,144	17,091,622	4,604,443	4,146,382
Net interest income/(expense)	44,595,084	35,144,184	(3,887,063)	(2,846,001)

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7. Net Fee and Commission Income

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Fee and commission income				
Commercial and Consumer	4,959,084	4,879,154	-	-
Payment services	10,180,991	9,376,738	-	-
Corporate banking	957,043	1,034,461	-	-
Management fees	-	-	7,226,241	5,117,427
Treasury and correspondent banking	342,784	442,559	-	-
Wealth, asset management & investment banking	4,169,481	2,258,862	-	-
Life and health insurance and pension fund management	2,280,984	1,947,902	-	-
Brokerage fees	988,213	-	-	-
General insurance	93,282	93,256	-	-
Other	200,746	158,948	-	-
	24,172,608	20,191,880	7,226,241	5,117,427
Fee and commission expense				
Payment services	4,992,775	4,327,906	-	-
	19,179,833	15,863,974	7,226,241	5,117,427

8. Gain on Foreign Currency and Investment Activities

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Net foreign exchange gains/(losses)	2,991,415	3,274,209	(1,460,519)	(1,911,720)
Loss on sale of debt securities held for trading	(25,673)	(16,202)	-	-
Gain on sale of debt securities at FVOCI	8,390,934	11,556,906	-	-
Interest income on FVPL instruments	2,109,488	-	-	-
Fair value loss on embedded put option	-	(31,401)	-	-
Gain on sale of equity securities	881,676	810,011	-	-
Fair value gain on revaluation of investment property (Note 25)	448,565	17,717	-	-
	14,796,405	15,611,240	(1,460,519)	(1,911,720)

Net foreign exchange gains/ (losses) 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.

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9. Premium Income

	The Group	
	2019	**2018**
	$'000	**$'000**
Annuity contracts	12,541,598	1,638,198
Life and Health insurance contracts	21,566,816	2,455,146
General insurance contracts	26,510,278	5,392,100
	60,618,692	9,485,444

	The Group	
	2019	**2018**
	$'000	**$'000**
Insurance premium income		
Short term insurance contracts	35,764,043	5,392,100
Long term insurance contracts	24,854,649	4,093,344
	60,618,692	9,485,444
Insurance premium ceded to reinsurers		
Short term insurance contracts	15,157,286	781,943
Long term insurance contracts	900,621	41,496
	16,057,907	823,439
Net insurance premium	44,560,785	8,662,005

10. Net Policyholders' and Annuitants' Benefits and Reserves

	The Group	
	2019	**2018**
	$'000	**$'000**
Annuity contracts	7,748,809	2,535,947
Life and Health insurance contracts	11,991,655	(790,508)
General insurance contracts	7,565,517	2,986,040
	27,305,981	4,731,479

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10. Net Policyholders' and Annuitants' Benefits and Reserves (Continued)

	The Group	
	2019	2018
	$'000	$'000
Benefits and reserves under Life and Health insurance and Annuity contracts:		
Gross	19,806,741	1,760,948
Recovered from reinsurers	(66,277)	(15,509)
	19,740,464	1,745,439
Benefits and reserves under General insurance contracts:		
Gross	15,875,639	3,027,929
Recovered from reinsurers	(8,310,122)	(41,889)
	7,565,517	2,986,040
	27,305,981	4,731,479

	The Group		
	2019		
	Gross	Reinsurance	Net
Benefits and reserves	$'000	$'000	$'000
Long-term insurance contracts with fixed and guaranteed terms and without DPF:			
Death, maturity and surrender benefits	5,811,939	(383)	5,811,556
Increase in liabilities	2,024,277	(527)	2,023,750
Long-term insurance contracts without fixed terms:			
Death, maturity and surrender benefits	8,804,659	(17,308)	8,787,351
Decrease in liabilities	(2,962,347)	-	(2,962,347)
Long-term insurance contracts with fixed and guaranteed terms and with DPF:			
Death, maturity and surrender benefits	(238)	-	(238)
Increase in liabilities	(20)	-	(20)
Short-term insurance contracts - life	6,128,471	(48,059)	6,080,412
	19,806,741	(66,277)	19,740,464

	2018		
	Gross	Reinsurance	Net
Benefits and reserves	$'000	$'000	$'000
Long-term insurance contracts with fixed and guaranteed terms and without DPF:			
Death, maturity and surrender benefits	1,558,753	-	1,558,753
Increase in liabilities	751,661	-	751,661
Long-term insurance contracts without fixed terms:			
Death, maturity and surrender benefits	5,985	-	5,985
Decrease in liabilities	(577,994)	-	(577,994)
Short-term insurance contracts - life	22,543	(15,509)	7,034
	1,760,948	(15,509)	1,745,439

11. Dividend Income

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Subsidiaries	-	-	9,720,304	9,382,928
Other equity securities	1,274,735	553,305	-	-
	1,274,735	553,305	9,720,304	9,382,928

12. Staff Costs

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Wages, salaries, allowances and benefits	25,043,717	17,100,576	3,212,636	1,530,704
Payroll taxes	2,511,745	1,662,437	330,195	178,534
Pension costs – defined contribution plans (Note 40)	645,398	418,371	8,806	12,910
Pension costs – defined benefit plans (Note 40)	219,388	21,316	-	-
Staff profit share	2,659,810	2,778,579	-	-
Termination benefits	232,397	834,390	-	-
Other post-employment benefits (Note 40)	808,089	960,684	-	-
	32,120,544	23,776,353	3,551,637	1,722,148

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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13. Credit Impairment Losses

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Investment securities	(135,670)	283,883	1,408	-
Loans and advances (Note 21)	4,960,404	1,676,755	-	-
	4,824,734	1,960,638	1,408	-

14. Other Operating Expenses

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Auditors' remuneration - current year	666,024	189,836	302,735	8,000
Auditors' remuneration - prior year	-	2,750	-	-
Credit card rebates	1,128,137	1,078,086	-	-
Insurance and premiums	796,114	542,357	-	42
Irrecoverable general consumption tax and asset tax	3,891,154	3,105,100	200	200
License and transaction processing fees	1,463,531	1,314,205	205,947	51,696
Marketing, customer care, advertising and donations	3,002,992	1,632,923	5,057	4,279
Operating lease rentals	523,495	340,903	-	-
Property, vehicle and ABM maintenance and utilities	5,401,688	3,319,406	18,073	34,130
Stationery	280,125	221,089	4	21
Technical, consultancy and professional fees	2,623,195	1,499,243	1,296,684	1,860,880
Travelling, courier and telecommunication	1,942,610	990,892	1,428	360
Management and royalty fees	419,241	457,561	223,447	289,937
Operational losses	427,223	490,886	-	-
Other	3,109,396	994,783	1,206	2,490
	25,674,925	16,180,020	2,054,781	2,252,035

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15. Taxation

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Current:				
Income tax	7,984,763	7,075,685	-	-
Prior year (over)/under provision	(63,171)	(117,636)	-	19,768
Business levy and green funds levy	117,870	-	-	-
Deferred income tax (Note 30)	(1,758,768)	(1,550,097)	(1,144,567)	(1,225,532)
	6,280,694	5,407,952	(1,144,567)	(1,205,764)

Domestic income tax is calculated at rates of 25% for the Jamaican life insurance subsidiaries, 33⅓% for the Company and other Jamaican “regulated companies”. Taxation for subsidiaries in other jurisdictions is calculated at the rates prevailing in the relevant jurisdiction. The theoretical charge for the year can be reconciled as follows:

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Profit before tax	36,972,719	33,988,918	5,991,137	5,768,451
Tax calculated at actual tax rates	10,589,720	10,893,997	1,996,845	1,922,817
Income not subject to tax	(7,840,763)	(4,858,694)	-	(299,088)
Expenses not deductible for tax purposes	3,688,120	635,541	96,156	-
Effect of share of profit of associates included net of tax	(655,570)	(857,744)	-	-
Effect of change in tax rate applicable to life insurance subsidiary	(1,235)	(17,414)	-	-
Effect of different tax rates applicable to dividend income	(198,911)	(135,418)	(3,237,568)	(2,828,272)
Effect of different tax rates applicable to other countries	-	-	-	-
Deferred tax not recognised	44,160	(11,700)	-	-
Prior year (over)/under provision	(63,171)	(117,636)	-	19,768
Business Levy	117,870	-	-	-
Other	600,474	(122,980)	-	(20,989)
Taxation expense	6,280,694	5,407,952	(1,144,567)	(1,205,764)

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15. Taxation (Continued)

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

	The Group		
At 30 September 2019	**Before Tax $'000**	**Tax $'000**	**After Tax $'000**
Currency translation losses	(21,059)	-	(21,059)
ECL and fair value gains on FVOCI investments, net of gains recycled to profit or loss	12,971,666	(3,184,865)	9,786,801
Share of other comprehensive income of associated companies, net of tax	(1,585,419)	-	(1,585,419)
Remeasurement of post-employment benefit obligation	(593,571)	106,317	(487,254)
Other comprehensive income	10,771,617	(3,078,548)	7,693,069
Deferred income tax (Note 30)		(3,078,548)	

	The Group		
At 30 September 2018	**Before Tax $'000**	**Tax $'000**	**After Tax $'000**
Currency translation gains	1,263,927	-	1,263,927
Fair value gains on available-for-sale investments, net of gains recycled to profit or loss	(7,431,371)	1,930,125	(5,501,246)
Share of other comprehensive income of associated companies, net of tax	(1,413,911)	-	(1,413,911)
Remeasurement of post-employment benefit obligation	(606,354)	124,962	(481,392)
Other comprehensive income	(8,187,709)	2,055,087	(6,132,622)
Deferred income tax (Note 30)		2,055,087	

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16. Earnings per Stock Unit

Basic earnings per stock unit is calculated by dividing the net profit attributable to stockholders of the parent 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.

	2019	**2018**
Net profit attributable to stockholders of the parent ($'000)	29,576,423	27,958,752
Weighted average number of ordinary stock units in issue ('000)	2,429,180	2,453,424
Basic and diluted earnings per stock unit ($)	12.18	11.39

17. Cash in Hand and Balances at Central Banks

	The Group	
	2019	**2018**
	$'000	**$'000**
Cash in hand	14,827,733	10,762,743
Balances with central banks other than statutory reserves	10,390,693	20,371,332
Included in cash and cash equivalents	25,218,426	31,134,075
Statutory reserves with central banks – non-interest-bearing	37,316,963	43,575,130
	62,535,389	74,709,205
Interest receivable	-	2,191
	62,535,389	74,711,396

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.

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18. Due from Banks

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Placements with NCBJ	-	-	3,844,168	16,530,888
Items in course of collection from banks	917,269	682,312	-	-
Placements with banks	142,397,657	46,262,342	-	-
	143,314,926	46,944,654	3,844,168	16,530,888
Expected credit losses	(398,595)	-	-	-
Interest receivable	4,118,745	3,620,727	-	46,065
	147,035,076	50,565,381	3,844,168	16,576,953
Less: Placements pledged as collateral for letters of credit (Note 23)	(5,677,890)	(1,863,367)	-	-
	141,357,186	48,702,014	3,844,168	16,576,953

Placements with 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	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Placements with NCBJ	-	-	3,844,168	16,530,888
Placements with other banks	137,238,441	45,081,287	-	-
Less: amounts restricted to the settlement of obligations under securitisation arrangements	(3,446,427)	(3,617,802)	-	-
	133,792,014	41,463,485	3,844,168	16,530,888

19. Derivative Financial Instruments

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

	The Group	
	2019	**2018**
Assets	**$'000**	**$'000**
Equity indexed options	239,279	233,329
	239,279	233,329
Liabilities		
Forward contracts	-	25,673
Equity indexed options	239,279	233,329
	239,279	259,002

19. 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.

Equity indexed options

The derivative liability represents the equity index option element of principal protected notes issued by the Group (Note 3(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.

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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 $2,331,000 (2018 – $3,535,000) for the Group.

At September 30, 2019, the Group held $8,352,184,000 (2018 – $4,145,542,000) 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 $1,754,351,000 (2018 – $2,362,295,000) 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 $2,198,982,000 (2018 – $312,414,000) which are regarded as cash equivalents for purposes of the statement of cash flows.

21. Loans and Advances

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Gross loans and advances, includes mortgage loans	432,621,499	376,724,836	250,000	-
Provision for credit losses	(13,157,620)	(8,260,943)	-	-
	419,463,879	368,463,893	250,000	-
Interest receivable	3,638,721	4,170,808	1,852	-
	423,102,600	372,634,701	251,852	-

The current portion of loans and advances amounted to $47,204,344,000 (2018 – $39,149,885,000) for the Group.

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

	The Group	
	2019	2018
	$'000	$'000
Balance at beginning of year	8,260,943	3,659,526
On acquisition of subsidiary	1,904,905	4,480,585
	10,165,848	8,140,111
Provided during the year	5,945,613	2,498,542
Recoveries	(985,208)	(821,787)
Net charge to the income statement (Note 13)	4,960,404	1,676,755
Write-offs	(1,968,632)	(1,555,923)
Balance at end of year	13,157,620	8,260,943

The provision for credit losses at the end of the year includes $6,534,923,000 (2018 - $4,115,240,000) relating to non BOJ regulated entities within the Group, which are not considered in calculating the excess reserves required to meet the BOJ's loan loss provision.

The aggregate amount of non-performing loans on which interest was not being accrued (consistent with the requirements of the BOJ) as at September 30, 2019 was $19,045,678,000 (2018 – $18,215,201,000).

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21. Loans and Advances (Continued)

The provision for credit losses determined under BOJ regulatory requirements is as follows:

	The Group	
	2019	**2018**
	$'000	**$'000**
Specific provision	6,589,045	4,945,297
General provision	2,981,276	2,670,896
	9,570,321	7,616,193
Excess of regulatory provision over IFRS provision recognised in the Bank reflected in non-distributable loan loss reserve (Note 45)	2,947,624	3,470,490

22. Investment Securities

	The Group		The Company	
	IFRS 9 basis	**IAS 39 basis**	**IFRS 9 basis**	**IAS 39 basis**
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Investment Securities Classified as FVPL:				
Government of Jamaica debt securities	18,086,395	13,191	-	-
Other Government Securities	64,261,102	258,954	-	-
Corporate Debt Securities	24,373,928	2,155,743	-	-
Quoted and Unquoted equities	61,647,571	1,258,201	-	-
Collective Investment Schemes	746,075	-	-	-
Interest receivable	1,324,347	8,924	-	-
	170,439,418	3,695,013	-	-
Investment Securities Classified as FVOCI (available-for-sale) and Amortised Costs (Loans and Receivables):				
Investment securities at FVOCI (available-for-sale):				
Government of Jamaica debt securities	216,977,389	205,933,696	-	-
Other Government Securities	48,079,962	58,672,723	-	-
Corporate Debt Securities	115,138,911	36,294,167	7,000,000	-
Quoted and Unquoted equities	-	2,756,253	-	-
Collective Investment Schemes	-	592,323	-	-
Interest receivable	5,060,659	3,857,296	115,932	-
	385,256,921	308,106,458	7,115,932	-

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22. Investment Securities (Continued)

Investment securities at Amortised Costs (loans and receivables):

	The Group		The Company	
	IFRS 9 basis	IAS 39 basis	IFRS 9 basis	IAS 39 basis
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Government of Jamaica debt securities	51,229,281	42,293,683	-	-
Other Government Securities	132,239,015	2,695,605	-	-
Corporate Debt Securities	18,981,377	31,959,920	-	7,000,000
Interest receivable	2,743,652	739,365	-	115,932
	205,193,325	77,688,573	-	7,115,932
Expected credit losses	(1,393,658)	-	-	-
	759,496,006	389,490,044	7,115,932	7,115,932
Total investment securities, as above	759,496,006	389,490,044	7,115,932	7,115,932
Less: Pledged securities (Note 23)	(373,310,386)	(175,046,937)	-	-
Amount reported on the statement of financial position	386,185,620	214,443,107	7,115,932	7,115,932

The current portion of total investment securities amounted to $48,735,324,000 (2018 - $50,717,131,000) for the Group.

Included in investment securities are debt securities with an original maturity of less than 90 days amounting to $10,806,108,000 (2018 - $12,064,968,000) for the Group which are regarded as cash equivalents for purposes of the statement of cash flows.

23. Pledged Assets

	The Group	
	2019	2018
	$'000	$'000
Investment securities classified as FVOCI and amortised cost (2018 - available-for-sale and loans and receivables) pledged as collateral for:		
Repurchase agreements	201,039,607	172,909,299
Clearing services	878,461	805,420
Investment securities held as security in respect of life insurance subsidiaries	171,392,318	177,218
	373,310,386	173,891,937
Investment securities at fair value through profit or loss pledged as collateral for:		
Repurchase agreements	-	1,155,000
	373,310,386	175,046,937
Property, plant and equipment	2,686,306	-
Investment property (Note 25)	3,230,106	-
Placements with banks pledged as collateral for letters of credit (Note 18)	5,677,890	1,863,367
	384,904,688	176,910,304

The regulators hold investment assets for certain insurance subsidiaries in accordance with the legal requirements of the respective countries.

24. Investment in Associates

	The Group	
	2019	2018
	$'000	$'000
At the beginning of the year	35,125,894	37,186,185
On acquisition of subsidiary	4,705,470	-
Disposal	(37,249,427)	(1,788,726)
Gain on dilution	-	11,696
Share of profits	2,897,176	2,561,536
Dividends received:		
Guardian Holdings Limited	(612,351)	(899,108)
JMMB Group Limited	(68,518)	(201,525)
Other	(50,467)	-
Movement in other reserves	523,688	(1,744,164)
At end of year	5,271,465	35,125,894

During the current period, the Group increased its shareholdings in GHL to 61.97%, by acquiring an additional 31.99% of its issued share capital. GHL is now classified as a subsidiary, as, through this transaction the Group has obtained control. The carrying value of GHL of $31,682,419,000 at 30 April 2019, the date of the transaction, was derecognised and a gain of $2,329,179,000. Included in the gain were amounts previously recognised in OCI of $1,426,598,000 which were recycled to profit and loss. The effect of the adoption of IFRS 9 is included in the disposal amount.

During the current year, the Group disposed of its 20.01% shareholdings in JMMB Group Limited. Consideration for the disposal was $9,182,882,000, (settled with debt instruments) and a gain of $3,291,544,000 was recognised. Included in the gain were amounts previously recognised in OCI of $324,329,000 which were recycled to profit and loss. In the previous period, the Group disposed of a percentage ownership in JMMB. The proceeds from the sale amounted to $2,709,769,000 and a gain of $824,784,000 was recognised.

In the previous period, the Group's interest in Elite Diagnostic Limited was reduced as a result of a partial disposal of the investment and the dilutive impact of an Initial Public Offer (IPO). A gain of $11,696,000 was recognised. Consideration for the sale was $35,464,000 and an amount of $18,325,000 was derecognised.

In the previous period, 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.

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24. Investment in Associates (Continued)

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

	RGM Limited $'000	Royal Star Holdings $'000	Other individually immaterial associates $'000	Total $'000
2019				
Current assets	1,037,054	6,593,204	247,812	7,878,070
Non-current assets	16,589,990	5,409,889	967,763	22,967,643
Current liabilities	657,565	4,007,354	56,399	4,721,318
Non-current liabilities	6,572,782	2,165,956	689,402	9,428,140
Revenue	1,540,568	1,759,451	361,944	3,661,963
Profit or loss from continuing operations	617,658	387,578	23,654	1,028,889
Other comprehensive income	(14,046)	-	-	-
Total comprehensive income	12,026,034	7,722,020	-	-
Percentage ownership	33.33%	26.32%		
Net assets of the associate - 100%	10,396,697	5,829,784		
Group share of net assets	3,465,566	1,534,152		

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24. Investment in Associates (Continued)

	Guardian Holdings Limited $'000	JMMB Group Limited $'000	Other individually immaterial associates $'000	Total $'000
2018				
Current assets	75,499,210	42,257,472	163,144	117,919,826
Non-current assets	437,280,261	273,965,668	738,532	710,454,146
Current liabilities	22,761,912	185,289,904	30,088	208,081,904
Non-current liabilities	428,544,289	103,105,027	416,118	532,065,434
Revenue	109,412,821	24,713,947	360,246	134,487,014
Profit or loss from continuing operations	6,770,042	3,947,620	6,570	10,724,232
Other comprehensive income	(2,509,881)	(2,143,536)	-	(4,653,417)
Total comprehensive income	4,260,161	1,804,084	6,570	6,070,815
Percentage ownership	29.99%	20.01%		
Net assets of the associate - 100%	61,050,159	27,828,209		
Pre-acquisition goodwill and intangible assets	(11,733,244)	-		
Non-controlling interests	(423,112)	(1,050,977)		
Adjusted net assets	48,893,803	26,777,232		
Group share of adjusted net assets	14,663,252	5,358,124		
Intangible assets recognised on acquisition	5,248,108	657,079		
Goodwill on acquisition	10,251,360	-		
Accumulated amortisation	(774,988)	(379,676)		
Carrying amount	29,387,732	5,635,527		

25. Investment Properties

	The Group	
	2019	2018
	$'000	$'000
Balance at beginning of year	1,366,950	812,619
Acquisition of subsidiary (Note 54)	29,201,380	507,409
Disposal of subsidiary	(734,797)	-
Additions	1,197,161	8,971
Fair value gains (Note 8)	448,565	17,717
Foreign exchange adjustments	(92,867)	20,234
Re-classification to property, plant and equipment	(1,176)	-
Balance at end of year	31,385,216	1,366,950
Pledged as collateral	(3,230,106)	-
Balance at end of year	28,155,110	1,366,950
-Income earned from the properties	655,890	91,956
Expenses incurred by the properties	(148,771)	(46,508)

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, comparable sales approach and income and sales comparison approach.

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

Several valuations have been performed using a comparable sales approach but, as there have been a limited number of similar sales in the respective markets, these valuations incorporate unobservable inputs determined based on the valuators' judgement regarding size, age, condition and state of the local economy. Similarly, the valuations that are performed using the direct capitalisation and income approaches rely on unobservable inputs based on the valuator's judgement given the varying levels of income between properties within a relatively small geographic area as well as the unavailability of risk-adjusted discount rates for properties. A key estimate used by these valuators is one for vacancy. These valuations are sensitive to the aforementioned adjustments for the unobservable inputs, which inputs may result in the values realized, either through use or sale, being different from the amounts recognised in these financial statements.

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26. Properties for Development and Sale

	The Group	
	2019	2018
	$'000	$'000
Properties for development and sale	2,368,042	-

Properties for development and sale comprise the Group's investment in one component of the Pointe Simon urban re-development project in Fort de France, Martinique. These properties are currently occupied and should become available for sale in 2020.

27. Reinsurance Assets

	The Group	
	2019	2018
	$'000	$'000
This represents the Group's net contractual rights under reinsurance contracts:		
Long-term insurance contracts:		
With fixed and guaranteed terms	533,280	-
Short-term insurance contracts:		
Claims reported and loss adjustment expenses (Note 39)	19,269,124	8,526
Group Life	-	15,509
Claims incurred but not reported (Note 39)	3,339,986	2,129
Unearned premiums (Note 39)	10,637,058	399,701
	33,246,168	425,865
Total reinsurers' share of insurance liabilities	33,779,448	425,865
Current	25,777,539	425,865
Non-current	8,001,909	-
Total reinsurers' share of insurance liabilities	33,779,448	425,865

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28. Intangible Assets

	The Group					
	Trade name $'000	Core deposit & other customer relationships $'000	Computer Software $'000	Goodwill $'000	Other $'000	Total $'000
			2019			
Net book value, at beginning of year	233,283	3,376,739	8,788,569	-	-	12,398,591
On acquisition of subsidiary (Note 54)	3,554,532	12,671,085	82,671	14,425,777	177,474	30,911,539
Disposal of subsidiary	(160,311)	-	(121,204)	-	-	(281,515)
Additions	-	-	4,789,731	-	-	4,789,731
Translation adjustments	-	(6,555)	(109)	49,823	(40)	43,119
Amortisation charge	(94,190)	(1,809,711)	(2,314,497)	-	(10,408)	(4,228,806)
Net book value, at end of year	3,533,314	14,231,558	11,225,161	14,475,600	167,026	43,632,659
Cost	3,627,504	18,896,546	22,913,568	14,475,600	273,340	60,186,558
Accumulated amortisation	(94,190)	(4,664,988)	(11,688,407)	-	(106,314)	(16,553,899)
Closing net book value	3,533,314	14,231,558	11,225,161	14,475,600	167,026	43,632,659

	The Group					
	Trade name $'000	Core deposit & other customer relationships $'000	Computer Software $'000	Goodwill $'000	Other $'000	Total $'000
			2018			
Net book value, at beginning of year	182,582	80,221	4,660,007	-	-	4,922,810
On acquisition of subsidiary (Note 54)	62,649	3,356,211	1,643,052	-	-	5,061,912
Translation adjustments	-	-	117,863	-	-	117,863
Additions	-	-	3,948,971	-	-	3,948,971
Transfer	-	-	24,217	-	-	24,217
Amortisation charge	(11,948)	(59,693)	(1,605,541)	-	-	(1,677,182)
Net book value, at end of year	233,283	3,376,739	8,788,569	-	-	12,398,591
Cost	301,623	3,714,373	18,056,107	-	-	22,072,103
Accumulated amortisation	(68,340)	(337,634)	(9,267,538)	-	-	(9,673,512)
Closing net book value	233,283	3,376,739	8,788,569	-	-	12,398,591

Computer software for the Group at year end include items with a cost of $3,095,735,000 (2018 - $2,305,776,000) on which no amortisation has yet been charged as these software applications are in the process of implementation.

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29. Property, Plant and Equipment

	The Group				
	Freehold Land and Buildings and Leasehold Improvements	Motor Vehicles, Furniture & Equipment	Assets Capitalised Under Finance Leases	Work-in-Progress	Total
	$'000	$'000	$'000	$'000	$'000
Cost -					
At October 1, 2017	6,295,138	9,518,912	891,384	2,413,311	19,118,745
On acquisition of subsidiary	1,905,397	174,459	-	-	2,079,856
Translation adjustments	-	159,220	-	-	159,220
Additions	325,239	1,262,581	287,561	665,922	2,541,303
Disposals	(106,338)	(95,500)	(239,543)	-	(441,381)
Transfers	2,185,678	580,159	-	(2,790,054)	(24,217)
Reclassifications and adjustments	83	150	176	-	409
At September 30, 2018	10,605,197	11,599,981	939,578	289,179	23,433,935
On acquisition of subsidiary	8,931,059	2,767,771	-	217,798	11,916,628
Disposal of subsidiary	(889,242)	(149,394)	(1,286)	(5,954)	(1,045,876)
Translation adjustments	-	253,215	-	-	253,215
Additions	244,509	2,328,907	406,481	1,190,175	4,170,072
Disposals	(118,187)	(208,086)	(191,676)	19	(517,930)
Transfers	619,850	32,144	-	(651,994)	-
Reclassifications and adjustments	533,457	(42,026)	-	(6,306)	485,125
At September 30, 2019	19,926,643	16,582,512	1,153,097	1,032,917	38,695,169
Accumulated Depreciation -					
At October 1, 2017	1,448,551	6,771,399	467,334	-	8,687,284
Charge for the year	416,667	1,147,835	230,688	-	1,795,190
Disposals	(34,870)	(93,391)	(200,206)	-	(328,467)
Reclassifications and adjustments	(3,695)	5,934	(2,371)	-	(132)
At September 30, 2018	1,826,653	7,831,777	495,445	-	10,153,875
Charge for the year	840,517	1,593,824	278,284	-	2,712,625
Disposals	(18,983)	(177,998)	(182,735)	-	(379,716)
Reclassifications and adjustments	(252)	41,665	(1)	-	41,412
At September 30, 2019	2,647,935	9,289,268	590,993	-	12,528,196
Net Book Value -					
September 30, 2019	17,278,708	7,293,244	562,104	1,032,917	26,166,973
Pledged fixed assets (Note 23)	(2,686,306)	-	-	-	(2,686,306)
Net Book Value after pledged	14,592,402	7,293,244	562,104	1,032,917	23,480,667
September 30, 2018	8,778,544	3,768,204	444,133	289,179	13,280,060

The carrying value of assets capitalised under finance leases pledged as collateral amounted to $899,176,000 (2018 – $623,324,000).

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30. Deferred Income Taxes

Deferred income taxes are calculated on all temporary differences under the liability method using a tax rate of 25% for the Jamaican life insurance subsidiaries, 33⅓% for the Company and other Jamaican "regulated companies", 21% for the subsidiary incorporated in the United Kingdom, 30% for subsidiaries incorporated in Montserrat, St Lucia and Trinidad (non-life), 22% for subsidiaries incorporated in Curacao, 32.5% for the subsidiary incorporated in St Vincent, 28% for the subsidiary incorporated in Grenada, and 25%, for all other subsidiaries with the exception of the subsidiaries incorporated in Cayman Islands and Bermuda 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	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Deferred tax assets	(8,141,066)	(4,639,482)	(2,639,306)	(1,494,739)
Deferred tax liabilities	18,122,796	910,710	-	-
Net asset at end of year	9,981,730	(3,728,772)	(2,639,306)	(1,494,739)

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

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Net (asset)/liability at beginning of year	(3,728,772)	(123,588)	(1,494,739)	(269,207)
Acquisition of subsidiary (Note 54)	12,357,232	-	-	-
Disposal of subsidiary	33,490	-	-	-
Deferred tax credited in the income statement (Note 15)	(1,758,768)	(1,550,097)	(1,144,567)	(1,225,532)
Deferred tax credited to other comprehensive income (Note 15)	3,078,548	(2,055,087)	-	-
Net asset at end of year	9,981,730	(3,728,772)	(2,639,306)	(1,494,739)

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

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Deferred tax assets to be recovered after more than 12 months	(1,683,962)	(2,629,316)	-	-
Deferred tax liabilities to be settled after more than 12 months	8,607,057	439,790	-	-

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30. 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	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Deferred income tax assets:				
Property, plant and equipment	1,016,812	760,721	-	-
Investment securities classified as FVOCI	-	761,248	-	-
Credit Impairment Losses	198,696	-	-	-
Pensions and other post-retirement benefits	2,072,823	1,868,595	-	-
Interest payable	284,459	378,910	39,287	218,325
Unrealised foreign exchange losses	1,565,228	1,350,482	1,264,661	1,350,023
Unutilised tax losses	2,780,366	348,265	2,111,743	348,265
Other temporary differences	471,225	751,848	1,324	290,909
	8,389,609	6,220,069	3,417,015	2,207,522
Deferred income tax liabilities:				
Future distribution	3,711,547	-	-	-
Property, plant and equipment	724,910	-	-	-
Intangible assets	3,901,967	-	-	-
Investment securities at FVPL	3,048,968	117,331	-	-
Investment securities classified as FVOCI	5,395,152	439,790	-	-
Interest receivable	428,557	412,372	-	-
Unrealised foreign exchange gains	777,711	1,024,582	777,709	712,783
Credit Impairment Losses	-	247,525	-	-
Other temporary differences	382,527	249,697	-	-
	18,371,339	2,491,297	777,709	712,783
Net deferred tax liability/(asset)	9,981,730	(3,728,772)	(2,639,306)	(1,494,739)

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30. Deferred Income Taxes (Continued)

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

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Property, plant and equipment	(260,065)	601,218	-	-
Intangible assets	(170,666)	-	-	-
Investment securities	364,656	19,395	-	-
Credit Impairment Losses	(312,938)	-	-	-
Pensions and other post-retirement benefits	(248,916)	(271,086)	-	-
Future distributions	709,606	-	-	-
Interest receivable	17,296	(48,802)	-	-
Interest payable	94,115	(192,694)	179,042	(218,328)
Accrued profit share	7,961	(44,165)	-	-
Accrued vacation leave	-	(3,241)	-	-
Fair value losses on derivatives	-	(67,854)	-	-
Unrealised foreign exchange gains and losses	(378,634)	(709,748)	150,288	(637,240)
Unutilised tax losses	(1,498,258)	(348,265)	(1,498,257)	-
Other temporary differences	(82,925)	(484,855)	24,360	(369,964)
	(1,758,768)	(1,550,097)	(1,144,567)	(1,225,532)

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

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Unrealised gains on FVOCI	5,190,110	(828,146)	-	-
Realised fair value gains on sale and maturity of investments	(2,005,245)	(1,024,823)	-	-
Remeasurement of the post-employment benefit obligationete the monthly accounts for the bank and some subsidiaries	(106,317)	(202,118)	-	-
	3,078,548	(2,055,087)	-	-

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31. Other Assets

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Due from merchants, financial institutions, clients and payment systems providers	5,289,174	7,752,158	-	-
Prepayments	2,898,791	2,366,761	33,532	8,557
Receivable from executives	11,823,310	-	11,823,310	-
Due from policyholders	22,912,707	-	-	-
Due from banks	-	114,718	-	-
Management fees & royalties	-	-	2,806,533	3,664,696
Repossessed assets	-	3,106,595	-	-
Other	8,959,508	2,647,029	360,323	18,862
	51,883,490	15,987,261	15,023,698	3,692,115

The fair values of other assets approximate carrying values. The current portion of other assets is $40,060,180,000 (2018 - $15,987,261,000)

32. Due to Banks

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Items in course of payment	3,216,262	3,324,039	-	-
Borrowings from other banks	19,364,501	8,210,685	12,560,650	-
Deposits from banks	53,605	234,335	-	-
Other	1,863	2,938	-	-
	22,636,231	11,771,997	12,560,650	-
Interest payable	140,024	43,203	51,370	-
	22,776,255	11,815,200	12,612,020	-

The current portion of due to banks is $15,695,841,000 (2018 - $11,815,200,000)

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 banks are denominated in United States dollars and have various maturity dates. These attract interest at 5.56 - 11.63% per annum.

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

	The Group	
	2019	2018
	$'000	$'000
Total due to banks	22,776,255	11,815,200
Less: amounts with original maturities of greater than 90 days	(7,619,266)	(2,010,900)
	15,156,989	9,804,300

33. Obligations Under Securitisation Arrangements

	The Group	
	2019	**2018**
	$'000	**$'000**
Diversified payment rights		
Principal outstanding – US$50,000,000 (2018 – US$83,333,000)	6,707,100	11,171,267
Merchant voucher receivables		
Principal outstanding – US$308,649,000 (2018 – US$355,656,000)	41,402,758	47,677,530
	48,109,858	58,848,797
Unamortised transaction fees	(369,758)	(526,985)
	47,740,100	58,321,812
Interest payable	565,723	670,854
Net liability	48,305,823	58,992,666

The current portion of obligations under securitisation arrangements amounted to $13,772,240,000 (2018 – $11,171,266,000).

Diversified Payment Rights

National Commercial Bank Jamaica Limited (NCBJ) 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 NCBJ 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, NCBJ assigns its rights to all present and future DPRs to an offshore special purpose vehicle, Jamaica Diversified Payment Rights Company Limited (Note 35), 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 NCBJ, provided no early amortisation event or default has occurred under the terms of the notes.

On May 30, 2013, NCBJ 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, 2019. 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, NCBJ 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.

33. Obligations Under Securitisation Arrangements (Continued)

Diversified Payment Rights (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, 2018 and final maturity to March 15, 2021.

Merchant Voucher Receivables

NCBJ has entered into a structured financing transaction involving securitisation of its Merchant Voucher Receivables (MVR). 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 NCBJ 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, NCBJ 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 NCBJ, provided no early amortisation event or default has occurred under the terms of the notes.

On May 18, 2015, NCBJ raised US$250 million through the MVR 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, 2018 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, NCBJ raised an additional US$150 million through the MVR 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, 2018.

34. Other Borrowed Funds

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
(a) Development Bank of Jamaica	4,529,782	4,730,513	-	-
(b) Customer long-term investments	-	6,500	-	-
(c) Corporate notes	110,547,093	58,806,520	69,373,113	59,610,252
(d) Principal protected notes	173,527	423,850	-	-
(e) National Housing Trust	1,604,295	673,745	-	-
(g) Finance lease obligations	558,866	471,383	-	-
(f) Other	6,871,058	1,463	6,036,391	-
	124,284,621	65,113,974	75,409,504	59,610,252
Unamortised transaction fees	(302,207)	(164,334)	(280,563)	(116,158)
Interest payable	970,687	608,999	1,098,529	654,984
	124,953,101	65,558,639	76,227,470	60,149,078

The current portion of other borrowed funds amounted to $26,501,308,000 (2018 – $30,270,418,000) 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% - 7%.

(b) Customer long-term investments represent investments placed by customers for a minimum period of five (5) years. The investments are not subject to withholding tax if held to maturity. They are repaid in 2019. (2018: 4.0% - 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 2019 and 2023. The fixed rate notes attract interest between 4.25% and 9.75% and the variable rate notes attract interest based on weighted average treasury bill yield plus 2.25% - 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 19.

(e) The loans from National Housing Trust (NHT) are granted as part of the Joint Financing Mortgage Programme. Under the partnership agreement, NHT contributors are able to access their NHT loans directly from NCBJ at the prevailing interest rate offered by NHT. These loans are for the terms up to 40 years at rates ranging from 0% - 6%.

(f) On May 17, 2019, NCB Global Holdings Limited extended a loan of US$45 million to NCB Financial Group Limited. The loan is secured by a pledge of Guardian Holdings Limited shares. Interest is due and payable on a quarterly basis calculated at rate of 7.65% per annum beginning August 17, 2019. Principal is due and payable at maturity on May 17, 2022.

34. Other Borrowed Funds (Continued)

(g) The finance lease obligations are as follows:

	The Group	
	2019	**2018**
	$'000	**$'000**
Minimum lease payments under finance leases:		
Not later than 1 year	321,090	251,899
Later than 1 year and not later than 5 years	279,897	280,274
	600,987	532,173
Future finance charges	(42,121)	(60,790)
Present value of finance lease obligations	558,866	471,383

The present value of finance lease obligations is as follows:

	The Group	
	2019	**2018**
	$'000	**$'000**
Not later than 1 year	292,368	214,276
Later than 1 year and not later than 5 years	266,498	257,107
	558,866	471,383

35. 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 on-going 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

NCBJ uses securitisation as a source of financing and a means of risk transfer. Securitisation of its Diversified Payment Rights and MVR (Note 31) is conducted through structured entities, Jamaica Diversified Payment Rights Company Limited and Jamaica MVR 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.

Mutual Funds

The Group manages a series of mutual funds through its trust and asset management subsidiaries, Guardian Group Trust Limited and Guardian Asset Management and Investment Services Limited. The funds comprise four Caribbean investment based funds and six International investment based funds. These funds invest mainly in equity securities, debt securities and cash and cash equivalents. Guardian Asset Management is the Trustee, Income and Paying Agent, Registrar and Fund Administrator of these Mutual Funds. Guardian Life of the Caribbean acts in the capacity of Portfolio Manager.

As at the consolidated statement of financial position date, the Group has determined that it controls these mutual funds, as defined in note 2 (b), specific funds. Management has concluded that the contractual terms provide the Group with power over the Mutual Funds and the Group's aggregate interest in the Mutual Funds is significant.

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.

35. 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	
	2019	2018
	$'000	$'000
Total assets of the Unit Trust	35,664,095	35,172,540
The Group's interest – Carrying value of units held	186,545	148,819
Maximum exposure to loss	186,545	148,819
Liability to the Unit Trust in relation to investment in repurchase obligations (included in repurchase obligations on the consolidated statement of financial position)	2,090,433	2,732,729
Total income from the Group's interests	720,448	681,760

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.

36. Third Party Interests in Mutual Funds

	The Group	
	2019	2018
	$'000	$'000
Arising on acquisition of subsidiary	21,379,700	-
Share of net income	76,667	-
Unrealised losses	(108,366)	-
Net change in mutual fund holder balances	745,628	-
Distributions	(146,120)	-
Exchange rate adjustment	190,981	-
Balance at end of year	22,138,490	-

37. Investment Contract Liabilities

Investment contract liabilities carry floating rates of interest and therefore the carrying amounts approximate their fair values

	The Group	
	2019	2018
	$'000	$'000
The movements in the liabilities arising from investment contracts are summerised below:		
Arising on acquisition on subsidiary (Note 54)	39,395,293	-
Premiums received	1,319,633	-
Fees deducted from account balances	(179,095)	-
Account balances paid on surrender and other terminations in the year	(1,935,936)	-
Interest credited through income	511,225	-
Other movements	8,986	-
Exchange rate adjustments	137,550	-
Balance at end of year	39,257,656	-

38. Segregated Fund Liabilities

The assets listed below, included in the financial statements in aggregate, are managed by a subsidiary of the Group on behalf of certain life insurance policyholders under the Blue Chip Fund, the MChip Fund, Eagle Growth Fund, Mutual Growth Fund, Shelter Plus Fund, Guardian Universal Life Fund, Horizon Equity Fund, Guardian Equity Fund,Guardian Money Market Fund, Guardian Long-term Growth Fund, Guardian Stabilisation Fund and Guardian Foreign Currency Indexed Fund. The policyholders share all the rewards and risks of the performance of the funds and the assets have been segregated for determining the policyholders' interest in the funds.

	2019 $'000
Instruments:	
Government of Jamaica securities	6,900,856
Equity securities and unit trust	7,588,444
Short term securities	792,444
Investment property	67,211
	15,348,955
Other assets	1,200,576
Balance at end of year	16,549,531

39. Liabilities under Annuity and Insurance Contracts

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

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

The general insurance subsidiaries issue 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 third parties 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).

39. Liabilities under Annuity and Insurance Contracts (Continued)

Liabilities under Annuity and Insurance Contracts comprise the following:

	The Group	
	2019	**2018**
	$'000	**$'000**
Liabilities under life and health insurance and annuity contracts	327,457,778	31,285,228
Liabilities under general insurance contracts	57,938,111	6,807,779
	385,395,889	38,093,007

Liabilities under Life Insurance and Annuity Contracts (continued)

Insurance Contracts

Liabilities under insurance contracts comprise the following:

	The Group	
	2019	**2018**
	$'000	**$'000**
Long-term insurance contracts:		
With fixed and guaranteed terms and without DPF	185,895,210	9,096,092
With fixed and guaranteed terms and with DPF	1,957,155	-
Without fixed terms	129,210,475	22,151,632
	317,062,840	31,247,724
Participating policyholders' share of the surplus from long-term insurance business	9,565,636	-
	326,628,476	31,247,724
Short-term insurance contracts:		
Property and casualty claims reported and loss adjustment expenses	22,857,819	2,071,886
Property and casualty claims incurred but not reported	13,046,204	2,011,465
Property and casualty unearned premiums	22,034,089	2,724,428
Group life	829,301	37,504
	58,767,413	6,845,283
Total insurance liabilities	385,395,889	38,093,007

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39. Liabilities under Annuity and Insurance Contracts (Continued)

	The Group	
	2019	**2018**
	$'000	**$'000**
Current	48,583,143	6,829,774
Non-current	336,812,746	31,263,263
Total gross insurance liabilities	385,395,889	38,093,007

Movements in long term insurance contracts

	The Group	
	2019	**2018**
	$'000	**$'000**
Long-term insurance contracts with fixed and guaranteed terms and without DPF		
At beginning of year	9,096,092	8,344,431
Arising on acquisition of subsidiary	174,244,087	-
Exchange rate adjustments	1,401,270	-
Premiums received (net)	3,071,809	-
Claims and benefits settled in the year	(7,371,848)	-
Accretion of interest	1,962,873	-
Increase in liabilities	3,623,362	582,062
Changes in assumptions	(952,968)	(505,885)
Normal changes	820,533	675,484
At end of year	185,895,210	9,096,092

39. Liabilities under Annuity and Insurance Contracts (Continued)

Liabilities under Life Insurance and Annuity Contracts (continued)

Insurance Contracts

	The Group	
	2019	2018
	$'000	$'000
Long-term insurance contracts with fixed and guaranteed terms and with DPF		
Arising on acquisition of subsidiary	1,975,174	-
Exchange rate adjustments	9,953	-
Changes in assumptions	(2,590)	-
Normal changes	(25,382)	-
At end of year	1,957,155	-

	The Group	
	2019	2018
	$'000	$'000
Long-term insurance contracts without fixed terms		
At beginning of year	22,167,141	20,746,726
Arising on acquisition of subsidiary	106,914,813	-
Exchange rate adjustments	943,096	-
Changes on initial application of IFRS 9	-	-
Premiums received (net)	3,603,877	4,467,470
Claims and benefits settled in the year	(7,448,757)	(2,837,828)
Increase in liabilities	5,399,611	355,258
Changes in assumptions	(4,279,360)	(1,033,463)
Normal changes	1,910,054	455,469
At end of year	129,210,475	22,151,632

	The Group	
	2019	2018
	$'000	$'000
Participating policyholders' share of the surplus from long-term insurance business		
Arising on acquisition of subsidiary	9,512,026	-
Exchange rate adjustments	84,970	-
Surplus/Deficit arising from operations	57,679	-
Other movements	(89,039)	-
At end of year	9,565,636	-

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39. 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 subsidiaries are 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 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 subsidiaries have 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 subsidiaries own experience.

Investment yields
The Group's life insurance subsidiaries match 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 subsidiaries' investment practices and policies to determine expected rates of return on these assets for all future years and will vary by region, portfolio and currency. For the current valuation these rates of return are broadly summarised as follows:

	Jamaica	Trinidad & Tobago	Dutch Caribbean
Short term	3.00%-13.05%	4.51%- 5.70%	4.69%-5.12%
Medium term	3.07%-11.61%	4.34%-5.66%	4.98%-5.32%
Long term	2.93%-10.56%	4.81%-5.77%	5.45%-5.78%

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

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39. Liabilities under Annuity and Insurance Contracts (Continued)

Liabilities under Life Insurance and Annuity Contracts (continued)
Policy assumptions (continued)
Voluntary terminations and 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 subsidiaries own experience adjusted for expected future conditions. Statistical studies are 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 subsidiaries own internal cost studies projected into the future with an allowance for inflation. The cost studies vary by subsidiary and are affected by the economic conditions prevalent in each jurisdiction. The inflation rates assumed are summarised below:

	Jamaica	Trinidad & Tobago	Dutch Caribbean
Short term	3.00%-7.00%	3.50%	(3.72%)
Medium term	4.11%-3.55%	3.50%	0.00%
Long term	3.00%	3.50%	0.00%

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 actuaries 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 Actuaries use assumptions which are considered conservative, taking into account the risk profiles of the policies written.

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39. Liabilities under Annuity and Insurance Contracts (Continued)

Changes in assumptions
Changes have been made to the assumptions used to determine the value of long term insurance liabilities of the life insurance subsidiaries. The following tables present the effect of these changes:

	2019	2018
	$'000	$'000
For the Trinidadian life insurance subsidiaries:		
Changes in expense assumptions	-	-
Changes in lapse assumptions	-	-
Changes in investment returns	(697,313)	-
Other assumptions	-	-
Decrease in liabilities	(697,313)	-
For the Jamaican life insurance subsidiaries:		
Changes in expense assumptions	(812,264)	(240,122)
Changes in lapse assumptions	(26,399)	(226,346)
Changes in investment returns	(3,039,847)	(155,898)
Other assumptions	(659,095)	(916,982)
Decrease in liabilities	(4,537,605)	(1,539,348)

39. Liabilities under Annuity and Insurance Contracts (Continued)

Liabilities under Life Insurance and Annuity Contracts (continued)

Sensitivity analysis

The following tables present the sensitivity of the value of insurance liabilities disclosed in this note to movements in the assumptions used in the estimation of insurance liabilities. The sensitivities have been performed on the assumption that all assumptions remain constant.

	Change in variable	Change in liability	Change in variable	Change in liability
	2019		2018	
	%	$'000	%	$'000
Long-term insurance contracts with fixed and guaranteed terms and without DPF:				
For the Trinidadian life insurance subsidiaries:				
Worsening of mortality	+ 10.0%	586,039	-	-
Improvement of annuitant mortality	+0.5%	768,541	-	-
Lowering of investment returns	-1.0%	4,288,359	-	-
Worsening of base renewal expense level	+5.0%	169,213	-	-
Worsening of expense inflation rate	+1.0%	415,511	-	-
For the Jamaican life insurance subsidiaries:				
Worsening of mortality	+10.0%	1,112,282	+10.0%	229,043
Lowering of investment returns	-2.0%	12,769,866	-1.0%	1,176,319
Worsening of base renewal expense level	+5.0%	712,739	+10.0%	54,668
For the Dutch Caribbean life insurance subsidiaries:				
Worsening of mortality	+10.0%	307,922	-	-
Improvement of annuitant mortality	+10.0%	374,029	-	-
Lowering of investment returns	-10.0%	22,394	-	-
Worsening of base renewal expense level	+10.0%	64,095	-	-

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39. Liabilities under Annuity and Insurance Contracts (Continued)

Liabilities under Life Insurance and Annuity Contracts (continued)

Sensitivity analysis (continued)

	Change in variable	Change in liability	Change in variable	Change in liability
	2019		2018	
	%	$'000	%	$'000
Long-term insurance contracts with fixed and guaranteed terms and with DPF:				
For the Trinidadian life insurance subsidiaries:				
Worsening of mortality	+ 10.0%	6,176	-	-
Lowering of investment returns	-1.0%	167,161	-	-
Worsening of base renewal expense level	+5.0%	2,969	-	-
Worsening of expense inflation rate	+1.0%	6,316	-	-
For the Jamaican life insurance subsidiaries:				
Worsening of mortality	+10.0%	2,670	-	-
Lowering of investment returns	-2.0%	168,854	-	-
Worsening of base renewal expense level	+5.0%	12,970	-	-
Worsening of expense inflation rate	+1.0%	29,667	-	-
For the Dutch Caribbean life insurance subsidiaries:				
Worsening of mortality	+10.0%	660,773	-	-
Improvement of annuitant mortality	+10.0%	812,094	-	-
Lowering of investment returns	-10.0%	4,737,621	-	-
Worsening of base renewal expense level	+10.0%	802,929	-	-

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39. Liabilities under Annuity and Insurance Contracts (Continued)

Liabilities under Life Insurance and Annuity Contracts (continued)

Sensitivity analysis (continued)

	Change in variable	Change in liability	Change in variable	Change in liability
	2019		2018	
	%	$'000	%	$'000
Long-term insurance contracts without fixed terms:				
For the Trinidadian life insurance subsidiaries:				
Worsening of mortality	+ 10.0%	1,258,029	-	-
Improvement of annuitant mortality	+5.0%	1,203,646	-	-
Lowering of investment returns	-1.0%	10,171,498	-	-
Worsening of base renewal expense level	+5.0%	594,785	-	-
Worsening of expense inflation rate	+1.0%	1,277,335	-	-
For the Jamaican life insurance subsidiaries:				
Worsening of mortality	+10.0%	81,059	+10.0%	43,321
Improvement of annuitant mortality	+5.0%	56,989	+10.0%	-
Lowering of investment returns	-1.0%	1,287,693	-10.0%	1,607,961
Worsening of base renewal expense level	+5.0%	62,949	+10.0%	155,490

39. Liabilities under Annuity and Insurance Contracts (Continued)

Liabilities under Short term Contracts

	The Group	
	2019	**2018**
	$'000	**$'000**
Gross:		
Claims outstanding	35,904,022	4,083,352
Unearned premiums	22,034,089	2,724,427
	57,938,111	6,807,779
Reinsurance ceded		
Claims outstanding (Note 27)	(22,609,110)	(10,655)
Unearned premiums (Note 27)	(10,637,058)	(399,701)
	(33,246,168)	(410,356)
Net:		
Claims outstanding	13,294,912	4,072,697
Unearned premiums	11,397,031	2,324,726
	24,691,943	6,397,423

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39. Liabilities under Annuity and Insurance Contracts (Continued)

Liabilities under Short term contracts (continued)

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

	2019			2018		
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Notified claims	2,071,886	(8,526)	2,063,360	2,687,327	(25,648)	2,661,679
Claims incurred but not reported	2,011,466	(2,129)	2,009,337	1,932,069	(14,144)	1,917,925
Balance at beginning of year	4,083,352	(10,655)	4,072,697	4,619,396	(39,792)	4,579,604
Disposal of subsidiary	(3,599,568)	36,239	(3,563,329)	-	-	-
Acquisition of subsidiary	28,655,551	(17,258,576)	11,396,975	-	-	-
Exchange rate adjustment	(24,153)	18,572	(5,581)	-	-	-
Claims incurred	15,875,639	(8,310,122)	7,565,517	3,041,831	(41,889)	2,999,942
Claims paid	(9,086,799)	2,915,432	(6,171,367)	(3,577,876)	71,026	(3,506,849)
Balance at end of year	35,904,022	(22,609,110)	13,294,912	4,083,352	(10,655)	4,072,697
Comprising:						
Notified claims	22,857,818	(19,269,124)	3,588,694	2,071,887	(8,526)	2,063,361
Claims incurred but not reported	13,046,204	(3,339,986)	9,706,218	2,011,465	(2,129)	2,009,336
	35,904,022	(22,609,110)	13,294,912	4,083,352	(10,655)	4,072,697

39. Liabilities under Insurance and Annuity Contracts (Continued)

Liabilities under Short term Contracts (continued)
The policy and claims liabilities were determined in accordance with accepted actuarial principles and as directed by the respective regulator.

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:

	2019			2018		
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Balance at beginning of year	2,724,427	(399,701)	2,324,726	2,459,806	(204,847)	2,254,959
Disposal of subsidiary	(2,960,189)	999,208	(1,960,981)	-	-	-
Acquisition of subsidiary	23,453,888	(11,103,430)	12,350,458	-	-	-
Exchange rate adjustments	87,117	(255,627)	(168,510)	-	-	-
Net increase/(release) in the period	(1,271,154)	122,492	(1,148,662)	264,621	(194,854)	69,767
Balance at end of year	22,034,089	(10,637,058)	11,397,030	2,724,427	(399,701)	2,324,726
Comprising, by type of business:						
Liability insurance contracts	1,868,055	(863,597)	1,004,458	38,431	(15,739)	22,692
Motor insurance contracts	4,074,856	(136,837)	3,938,019	2,215,642	(87)	2,215,555
Pecuniary loss insurance contracts	349,962	(139,427)	210,535	49,310	(44,511)	4,799
Property insurance contracts	12,908,491	(8,864,776)	4,043,715	421,044	(339,364)	81,680
Health insurance contracts	2,063,708	(128,827)	1,934,881	-	-	-
Marine insurance contracts	769,017	(503,594)	265,425	-	-	-
	22,034,089	(10,637,058)	11,397,031	2,724,427	(399,701)	2,324,726

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39. Liabilities under Insurance and Annuity Contracts (Continued)

Liabilities under Short term Contracts (continued)

The movement in and composition of Group Life contracts are as follows:

	2019			2018		
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Balance at beginning of year	37,504	(15,509)	21,995	14,961	-	14,961
Acquisition of subsidiary	694,694	6,192	700,886	-	-	-
Claims settled during the year	(334,908)	61,387	(273,521)	-	-	-
Exchange rate adjustment	32,764	(39,379)	(6,615)	-	-	-
Increase in liabilities	399,247	(12,691)	386,555	22,543	(15,509)	7,034
Balance at end of year	829,301	-	829,301	37,504	(15,509)	21,995

40. Post-employment Benefits

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

	The Group	
	2019	**2018**
	$'000	**$'000**
Pension schemes	1,156,955	46,448
Other post-employment benefits	8,243,783	5,456,525
	9,400,738	5,502,973

The amounts recognised in the income statement are as follows:

	The Group	
	2019	**2018**
	$'000	**$'000**
Pension schemes (Note 12)	219,388	21,316
Other post-employment benefits (Note 12)	808,089	960,684
	1,027,477	982,000

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

	The Group	
	2019	**2018**
	$'000	**$'000**
Pension schemes	442,073	182,975
Other post-employment benefits	151,498	423,379
	593,571	606,354

40. Post-employment Benefits (Continued)

(a) Pension schemes

The Group'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. The Group's pension schemes are regulated by the respective regulators in the jurisdictions where they operate.

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.

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.

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. Participating Group companies contribute an amount equivalent to 5% of employees' salary to the scheme each pay cycle and employees must contribute at least 5% and up to a maximum of 15%. Contribution to the scheme for the year was $452,137,000 (2018 – $418,371,000).

GHL

GHL operates a number of defined benefit and defined contribution plans, the assets of which are held in separate trustee-administered funds. The plans are generally funded by payments from employees and by the relevant Group companies after taking account of the recommendations of the external qualified actuaries. The plans are governed by trust and/or fund deeds and rules and are administered in accordance with the laws of the jurisdiction in which the plan resides. Responsibility for the governance of the plans, including investment strategies, lies with the Board of Trustees/Foundation. Contribution to the scheme for the year was $193,261,000.

Advantage General Insurance Company Limited Superannuation Fund

The Group's former 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 of at least 5% and up to a maximum of 10% of salary and employer contributions as recommended by the actuary consequent on triennial funding reviews. AGIC was disposed of during the year, and consequently no amounts are recognised in these financial statements for the current year.

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40. Post-employment Benefits (Continued)

(a) Pension schemes (continued)

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

	2019			2018	
	NCBJ	**GHL**	**AGIC**	**NCBJ**	**AGIC**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Present value of funded obligations	32,911,272	19,463,022	1,317,726	27,481,763	1,195,080
Fair value of plan assets	(41,291,898)	(18,306,067)	(1,413,234)	(32,837,947)	(1,148,632)
(Over)/under – funded obligations	(8,380,626)	1,156,955	(95,508)	(5,356,184)	46,448
Disposal of subsidiary	-	-	95,508	-	-
Limitation on pension assets	8,380,626	-	-	5,356,184	-
	-	1,156,955	-	-	46,448

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, 2019 for the Bank and GHL schemes and at August 31, 2019 for the AGIC scheme.

The movement in the defined benefit obligation is as follows:

	2019			2018	
	NCBJ	**GHL**	**AGIC**	**NCBJ**	**AGIC**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
At beginning of year	27,481,763	-	1,195,080	23,304,895	884,946
Acquisition of subsidiary	-	18,492,275	-	-	-
Exchange	-	163,435	-	-	-
Employee's contributions	-	18,350	40,778	-	35,517
Service cost	-	159,928	46,020	-	25,820
Interest cost	1,999,509	489,508	89,485	2,028,154	79,987
Remeasurements:					
Experience losses/(gains)	2,791,549	212,965	(48,768)	844,083	24,712
Losses from changes in financial assumptions	1,831,742	482,216	106,228	2,844,333	180,285
Demographic assumptions	449,990	-	(69,156)	-	-
Benefits paid	(1,643,281)	(555,655)	(41,941)	(1,539,702)	(36,187)
Disposal of subsidiary	-	-	(1,317,7126)	-	-
At end of year	32,911,272	19,463,022	-	27,481,763	1,195,080

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40. Post-employment Benefits (Continued)

(a) Pension schemes (continued)

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

	2019			2018	
	NCBJ	**GHL**	**AGIC**	**NCBJ**	**AGIC**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
At beginning of year	32,837,947	-	1,148,632	29,107,197	1,007,304
Acquisition of subsidiary	-	17,865,374	-	-	-
Exchange	-	152,117	-	-	-
Interest on plan assets	2,401,223	363,430	87,032	2,550,362	92,126
Remeasurement - return on plan assets, excluding amounts included in interest on plan assets	7,696,009	90,056	151,355	2,720,090	22,021
Contributions	-	266,720	77,229	-	71,003
Administration fees	-	124,026	(9,073)	-	(7,635)
Benefits paid	(1,643,281)	(555,656)	(41,941)	(1,539,702)	(36,187)
Disposal of subsidiary	-	-	(1,413,234)	-	-
At end of year	41,291,898	18,306,067	-	32,837,947	1,148,632

The amounts recognised in the income statement are as follows:

	2019			2018	
	NCBJ	**GHL**	**AGIC**	**NCBJ**	**AGIC**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Current service cost	-	159,928	46,020	-	25,820
Administration fees	-	-	9,073	-	7,635
Net (income)/interest expense	-	1,913	2,454	-	(12,139)
Total, included in staff costs	-	161,841	57,547	-	21,316

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40. Post-employment Benefits (Continued)

(a) Pension schemes (continued)

The amounts recognised in other comprehensive income are as follows:

	2019			2018	
	NCBJ	**GHL**	**AGIC**	**NCBJ**	**AGIC**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Loss/(gain) on present value of funded obligations	5,073,281	695,181	(11,696)	3,688,416	204,996
Gain on fair value of plan assets	(7,696,009)	(90,056)	(151,355)	(2,720,090)	(22,021)
Change in effect of asset ceiling	2,622,728	-	-	(968,326)	-
Net loss/(gain)	-	605,125	(163,052)	-	182,975

Plan assets for the NCBJ defined benefit pension scheme are comprised as follows:

	2019		2018	
	$'000	**%**	**$'000**	**%**
Debt securities	25,973,657	62.90	12,982,081	39.53
Equity securities	12,532,930	30.35	17,279,315	52.62
Real estate and other	2,785,311	6.75	2,576,551	7.85
	41,291,898	100.00	32,837,947	100.00

These plan assets included:
- Ordinary stock units of the Company with a fair value of $13,859,766,000 (2018 – $6,257,404,000).
- Repurchase obligations, promissory notes and lease obligations of the Group aggregating $489,149,000 (2018 –$307,400,000)
- Properties occupied by the Group with a fair value of $695,800,000 (2018 - $665,444,000).

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40. Post-employment Benefits (Continued)

(a) Pension schemes (continued)

Plan assets for the GHL defined benefit pension scheme are comprised as follows:

	2019	
	$'000	**%**
Debt securities	9,772,584	53.38%
Equity securities	2,878,411	15.72%
Real estate and other	5,655,072	30.89%
	18,306,067	100.00%

Expected contributions to NCBJ's and GHLs defined benefit pension schemes for the year ending September 30, 2020 are nil and $449,023,000 respectively.

The principal actuarial assumptions used are as follows:

	2019		2018	
	NCBJ	**GHL**	**NCBJ**	**AGIC**
Discount rate	6.50%	3.38%-6.33%	7.50%	7.50%
Future salary increases	5.00%	0% - 3.6%	6.00%	6.00%
Future pension increases	3.00%	3.5%	3.50%	-

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, 2019 is 11.7 years (2018 – 11.7 years) for NCBJ's defined benefit scheme and 15 years for the GHL scheme.

40. 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:

NCBJ

	Increase/(decrease) in defined benefit obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
		$'000	**$'000**
Discount rate	1%	(3,419,581)	4,145,992
Future salary increases	1%	119,219	(114,047)
Future pension increases	1%	3,708,602	(3,146,343)
Life expectancy	1 year	956,000	(996,000)

GHL

	Increase/(decrease) in defined benefit obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
		$'000	**$'000**
Discount rate	1%	(2,327,698)	2,938,541
Future salary increases	1%	501,582	(439,101)
Life expectancy	1 year	482,754	(268,892)

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.

40. 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 (2018 – 1.5 percentage points above CPI).

The average duration of the other post-employment benefits obligation at September 30, 2019 is 18.6 years for the Bank, and between 14.8 & 22.7 years for GHL.

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

	The Group	
	2019	2018
	$'000	$'000
Present value of unfunded obligations	8,243,783	5,456,525

The movement in the defined benefit obligation is as follows:

	The Group	
	2019	2018
	$'000	$'000
At beginning of the year	5,456,525	4,143,054
Acquisition of subsidiary	2,488,666	-
Disposal of subsidiary	(268,520)	-
Service costs	367,570	590,097
Interest cost	440,519	370,587
Remeasurements:		
Experience losses	71,128	27,429
Demographic assumptions	152,703	891,833
Gains from changes in financial assumptions	(72,333)	(495,883)
Exchange movement	21,094	-
Benefits paid	(413,569)	(70,592)
At end of year	8,243,783	5,456,525

The amounts recognised in the income statement are as follows:

	The Group	
	2019	2018
	$'000	$'000
Service cost	367,570	590,097
Net interest expense	440,519	370,587
Total, included in staff costs (Note 12)	808,089	960,684

40. 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:

NCBJ

	Increase/(decrease) in obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
		$'000	$'000
Discount rate	1%	(910,016)	1,195,036
Medical cost inflation	1%	1,184,079	(918,094)
Life expectancy	1 year	179,890	(175,620)

GHL

	Increase/(decrease) in obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
		$'000	$'000
Discount rate	1%	(375,145)	481,797
Medical cost inflation	1%	474,485	(375,803)
Life expectancy	1 year	98,623	(99,081)

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 sovereign 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 sovereign bond yields. A decrease in sovereign 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.

41. Other Liabilities

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Accrued staff benefits	6,851,340	5,063,996	273,787	362,298
Due to customers, merchants and clients	15,748,814	5,801,608	-	-
Accrued other operating expenses	16,895,473	5,725,870	574,068	344,468
Due to reinsurers	13,607,006	95,776	-	-
Due to Government	684,193	268,857	-	-
Other	790,387	874,448	-	-
	54,577,213	17,830,555	847,855	706,766

42. Share Capital

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Authorised – unlimited				
Issued and fully paid up – 2,466,762,828 ordinary stock units of no par value	153,827,330	153,827,330	153,827,330	153,827,330
Treasury shares	(10,756,253)	(1,050,785)	(561,635)	(720,656)
Issued and outstanding	143,071,077	152,776,545	153,265,695	153,106,674

As at September 30, 2019 the Group and the Company held NCBFG ordinary stock units totalling 70,676,888 (2018: 13,306,306) and 3,359,929 (2018: 8,004,490), respectively. These shares are held by the NCB Employee Share Scheme, NCB Financial Group Limited and entities controlled by Guardian Holdings Limited.

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. As at September 30, 2019, the scheme held 1,543,478 (2018: 5,301,716) stock units of the Company's ordinary stock. During the year, the scheme distributed 3,967,995 stock units to qualified individuals at no cost to the beneficiaries. The scheme is currently in the process of being wound up.

As at September 30, 2019 a total of 3,359,929 (2018: 8,004,490) stock units of the Company's ordinary stock were held by a custodian on the Company's behalf. The stock units are held for distribution as incentives. During the year the company acquired an additional 10,089,122 units and distributed 14,733,683 as incentives.

43. Impairment tests for goodwill

The Group determines whether goodwill is impaired at least on an annual basis or, or sooner when events or changes in circumstances indicate that the carrying value may be impaired. This requires an estimation of the recoverable amount of the cash generating unit (CGU) to which the goodwill is allocated. Goodwill relating to the acquisition of GHL has been provisionally allocated to the entire GHL group, as mentioned in Note 54.

The recoverable amount is usually determined by reference to the value in use. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose an appropriate discount rate in order to calculate the present value of those future cash flows. These calculations use pre-tax cash flow projections based on financial budgets approved by management.

Key assumptions used by management include:

- Revenue growth of 6%, 16% and 11% in 2019, 2020 and 2021.
- A decrease in reinsurance levels from historical levels of 28% to 23% by 2021. Management's expert has sensitised this to 26.5%.
- A claims ratio of 70%, which has been normalised to 72% by management's experts.
- Projected declines in expenses between 15% and 1%, adjusted by management's experts to between 5%and 0% .
- Terminal growth rate of 2.5%.
- Pre-tax discount rate of 15.7%.

Based on the results of the test performed, there was no evidence of impairment.

44. Fair Value and Capital Reserves

	The Group	
	2019	**2018**
	$'000	**$'000**
Fair value reserve	10,284,721	(1,292,288)
Capital reserve (excluding scheme of arrangement)	3,193,896	4,827,403
	13,478,617	3,535,115
Reserve from the scheme of arrangement	(147,034,858)	(147,034,858)
	(133,556,241)	(143,499,743)
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	3,819,552	3,840,611
Surplus on revaluation of property, plant and equipment	153,022	142,963
Share of movement in reserves of associate	(2,464,914)	(879,495)
Other	417,696	454,784
	3,193,896	4,827,403
Reserve from the scheme of arrangement	(147,034,858)	(147,034,858)
	(143,840,962)	(142,207,455)

45. Loan Loss Reserve

This is a non-distributable reserve for NCBJ 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).

46. Banking Reserve Fund

This fund is maintained in accordance with the Banking Services Act, 2014, enacted in Jamaica, which requires that a minimum of 15% of the net profits, as defined by the Act, of NCBJ 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, enacted in Trinidad and Tobago, which is applicable for the Group's regulated subsidiary in that country, 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.

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47. 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.

48. Cash Flows from Operating Activities

	Note	The Group	
		2019	2018
		$'000	$'000
Net profit		30,692,025	28,580,966
Adjustments to reconcile net profit to net cash flow provided by operating activities:			
Depreciation	29	2,712,625	1,795,190
Amortisation of intangible assets	28	4,228,806	1,677,182
Credit impairment losses	13	4,824,734	1,960,638
Negative goodwill	54	-	(4,392,149)
Gain on disposal of subsidiary	54	(2,626,425)	-
Gains on remeasurement and disposal of associate	24	(5,620,723)	(837,480)
Share of after tax profits of associates	24	(2,897,176)	(2,573,232)
Interest income	6/8	(67,177,716)	(52,235,806)
Interest expense	6	20,473,144	17,091,622
Income tax expense	15	6,280,694	5,407,952
Unrealised exchange (gains)/losses on securitisation arrangements		(1,940,791)	700,599
Amortisation of upfront fees on securitisation arrangements		157,227	228,978
Unrealised exchange losses on other borrowed funds		100,482	2,410,343
Change in post-employment benefit obligations	40	1,027,278	982,000
Foreign exchange gains	8	(2,991,415)	(3,274,209)
Gain on disposal of property, plant and equipment and intangible assets		(66,708)	(360,657)
Fair value gains on investment property	25	(448,565)	(17,717)
Fair value losses on derivative financial instruments	8	(25,673)	31,401
Changes in operating assets and liabilities:			
Statutory reserves at Central Bank		2,825,135	(4,552,605)
Pledged assets included in due from banks		(3,814,523)	(67,475)
Restricted cash included in due from banks		171,375	281,386
Reverse repurchase agreements		(2,071,307)	(2,816,486)
Loans and advances		(103,450,934)	(60,332,581)
Customer deposits		19,944,325	63,016,401
Repurchase agreements		22,257,586	37,121,959
Liabilities under annuity and insurance contracts		8,534,313	1,907,687
Other		(17,388,022)	(4,399,211)
		(116,982,254)	(1,246,270)
Interest received		123,126,137	45,233,103
Interest paid		(20,430,049)	(16,689,184)
Income tax paid		(5,669,274)	(7,340,050)
		(19,955,440)	19,957,599
Net cash provided by operating activities		10,736,585	48,538,565

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49. 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	
	2019	2018	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Loans and advances								
Balance at September 30	27,725	36,042	1,556,222	411,345	1,785,805	1,802,066	1,268,390	1,097,751
Interest income earned	2,669	3,744	1,761	51,235	80,712	104,735	56,802	82,521
Investment securities								
Balance at September 30	-	-	6,763,211	-	-	-	1,820,362	-
Interest income earned	-	-	209,749	-	-	-	7,063	-
Reverse repurchase agreements								
Balance at September 30	-	-	-	2,349,807	-	-	-	-
Interest income earned	-	-	36,364	14,887	-	-	-	-
Other assets								
Balance at September 30	-	-	-	-	11,826,016	-	804,321	209,355
Fee and commission income	63,012	32,947	1,978	11,247	73,963	7,297	557,435	34,897
Other operating income	-	-	-	-	270	289	1,055,270	843,296
Dividend income	-	-	731,336	1,100,633	-	-	34,161	14,257

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49. 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	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Customer deposits								
Balance at September 30	874,950	954,460	53,383	1,919,070	1,765,463	1,467,166	10,900,947	871,206
Interest expense	2,918	1,496	2,250	4,531	8,866	8,596	70,129	2,081
Repurchase agreements								
Balance at September 30	514,258	367,351	-	10,055	717,991	850,931	1,017,497	984,156
Interest expense	10,267	4,603	125,630	11,812	8,983	7,599	23,828	37,651
Borrowed Funds								
Balance at September 30	-	-	-	-	404,876	405,027	45,689	45,708
Interest expense	-	-	-	-	21,062	19,703	2,354	2,274
Other liabilities								
Balance at September 30	-	-	-	-	100,961	92,349	2,706	-
Operating expenses	194,305	297,504	5,592	7,684	756,869	20,570	1,472,660	1,661,884

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49. 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	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Loans and advances						
Balance at September 30	251,852	-	-	-	-	-
Interest income earned	1,930	14,442	-	-	-	-
Investment securities						
Balance at September 30	7,115,932	7,115,932	-	-	-	-
Interest income earned	455,683	115,932	-	-	-	-
Deposits with related party						
Balance at September 30	3,795,678	16,576,953	-	-	-	-
Interest income earned	255,640	1,170,007	-	-	-	-
Other assets						
Balance at September 30	2,833,413	3,692,115	11,823,310	-	-	-
Fee and commission income	7,226,241	5,117,426	-	-	-	-
Dividend income	9,720,304	9,382,928	-	-	-	-
Borrowed funds						
Balance at September 30	37,450,244	23,893,168	404,876	405,027	45,689	45,708
Interest expense	2,063,823	2,086,265	21,062	20,375	2,354	2,274
Other liabilities						
Balance at September 30	9,361	5,893	-	-	-	-
Operating Expenses	335,393	301,318	15,972	-	6,990	16,241

49. Related Party Transactions and Balances (Continued)

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Key management compensation:				
Salaries and other short-term benefits	5,666,931	2,773,194	3,533,729	1,689,760
Post-employment benefits	206,777	76,611	17,908	32,388
	5,873,708	2,849,805	3,551,637	1,722,148
Directors' emoluments:				
Fees	24,555	28,603	12,139	12,152
Management remuneration:				
Share benefits	1,965,733	609,402	1,965,733	609,402
Salaries and other benefits	1,089,945	760,940	1,089,945	760,940
	3,055,678	1,370,342	3,055,678	1,370,342

The compensation of executive directors is partially settled through shares of the Group, rights to which accrue immediately to the directors. Additionally, amounts have been advanced to executive directors for the purpose of acquisition of shares in the Group. The balance outstanding in relation to these advances as at September 30, 2019 is $11,823,310,000 (Note 31). These amounts are being amortised for periods of up to 9 years. The unamortised portion on these advances becomes repayable once the executives leave the Group prior to the end of the 9 year period. The total amortised for the current year is $926,490,000, which is included in share benefits.

50. 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 Group's risk appetite, shareholder 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.

50. Financial Risk Management (Continued)

Risk limits and benchmarks are integral to the risk management process, as they characterise the Group's risk tolerance and conform to regulatory requirements. Limits are established for:
(i) Credit and Counterparty risk - exposures to individuals, groups, 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 financial 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 Jamaican Central Bank regulations.
Standard
Special Mention
Sub-Standard
Doubtful
Loss
Exposure to credit risk is mitigated by the taking of financial or physical assets.

50. 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.

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below.

	The Group 2019			
	Gross exposure	**Impairment allowance**	**Carrying amount**	**Fair value of collateral held**
Credit-impaired assets	**$000**	**$000**	**$000**	**$000**
Loans and advances	22,393,907	(9,526,730)	12,867,177	30,661,904
Debt securities	4,685,760	(363,215)	4,322,545	-
Total credit-impaired assets	27,079,667	(9,889,945)	17,189,722	30,661,904

	The Group 2018			
	Gross exposure	**Impairment allowance**	**Carrying amount**	**Fair value of collateral held**
Credit-impaired assets	**$000**	**$000**	**$000**	**$000**
Loans and advances	12,259,512	(6,756,798)	5,502,714	14,431,929
Debt securities	333,208	(283,883)	49,325	-
Total credit-impaired assets	12,592,720	(7,040,681)	5,552,039	14,431,929

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50. Financial Risk Management (Continued)

(a) Credit risk (continued)

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.

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

	The Group			
	2019		2018	
	Loans $'000	Impairment provision $'000	Loans $'000	Impairment provision $'000
Standard	387,577,599	474,879	343,574,418	1,108,283
Special Mention	14,688,170	98,652	11,854,375	86,716
Sub-Standard	9,385,854	2,143,658	3,872,251	908,348
Doubtful	15,185,815	5,188,666	12,503,804	3,668,954
Loss	5,784,061	5,251,765	4,919,988	2,488,642
	432,621,499	13,157,620	376,724,836	8,260,943

50. Financial Risk Management (Continued)

(a) Credit risk (continued)

The credit quality of loans is summarised as follows:

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Unimpaired	410,227,593	364,465,324	-	-
Impaired	22,393,907	12,259,512	-	-
Gross	432,621,500	376,724,836	-	-
Less: provision for credit losses	(13,157,620)	(8,260,943)	-	-
Net	419,463,880	368,463,893	-	-

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

	The Group		The Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Less than 30 days	85,101,945	52,773,386	-	-
31 to 60 days	8,977,458	5,210,004	-	-
61 to 90 days	4,834,422	2,887,442	-	-
Greater than 90 days	2,166,657	2,227,054	-	-
	101,080,482	63,097,886	-	-

Of the aggregate amount of gross past due but not impaired loans, $83,060,512,000 was secured as at September 30, 2019 (2018 – $43,465,884,000).

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.

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50. 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, 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	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Credit risk exposures relating to on-statement of financial position assets:				
Balances with Central Banks	62,535,389	74,711,396	-	-
Due from banks	147,035,076	50,565,381	3,844,168	16,576,953
Derivative financial instruments	239,279	233,329	-	-
Reverse repurchase agreements	7,837,898	3,807,177	251,852	-
Loans and advances, net of credit impairment losses	423,102,600	372,634,701	-	-
Investment securities	697,102,360	384,883,267	7,115,932	7,115,932
Customers' liability – letters of credit and undertaking	2,051,519	2,305,130	-	-
Reinsurance assets	33,779,448	425,865	-	-
Other assets	40,732,005	10,529,414	14,841,143	3,683,558
	1,414,415,574	900,095,660	26,053,095	27,376,443
Credit risk exposures relating to off-statement of financial position items:				
Credit commitments	61,386,535	57,515,620	-	-
Acceptances, guarantees and indemnities	8,869,830	8,607,672	-	-
	70,256,365	66,123,292	-	-

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50. Financial Risk Management (Continued)

(a) Credit risk (continued)

Credit exposures

(i) Loans

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

	The Group		The Bank	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Agriculture	8,761,071	8,981,384	-	-
Public Sector	6,697,400	7,666,508	-	-
Construction and land development	23,753,824	25,481,855	-	-
Other financial institutions	4,773,893	2,909,737	250,000	-
Distribution	45,316,532	27,877,051	-	-
Electricity, water & gas	13,061,527	9,849,945	-	-
Entertainment	1,342,061	1,422,772	-	-
Manufacturing	7,036,936	8,202,738	-	-
Mining and processing	4,585,903	2,997,701	-	-
Personal	166,577,118	207,231,872	-	-
Professional and other services	103,310,967	17,097,785	-	-
Tourism	37,066,090	35,095,041	-	-
Transportation storage and communication	7,797,313	2,381,812	-	-
Overseas residents	2,540,864	19,528,635	-	-
Total	432,621,499	376,724,836	250,000	-
Expected credit losses	(13,157,620)	(8,260,943)	-	-
	419,463,879	368,463,893	250,000	-
Interest receivable	3,638,721	4,170,808	1,852	-
Net	423,102,600	372,634,701	251,852	-

(ii) Debt securities

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

	The Group	
	2019	**2018**
	$'000	**$'000**
Government of Jamaica and Bank of Jamaica	286,293,065	248,240,570
Other corporate bonds	158,494,216	70,409,830
Foreign governments	244,580,079	61,627,282
	688,367,360	380,277,682
Expected credit losses	(1,393,658)	-
Interest receivable	9,128,658	4,605,585
	697,102,360	384,883,267

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50. Financial Risk Management (Continued)

Maximum exposure to credit risk

The following tables contain an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised at September 30, 2019.

	The Group				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEBT SECURITIES	**$000**	**$000**	**$000**	**$000**	**$000**
Risk rating					
Low	247,531,073	1,470,018	-	-	251,934,405
Medium	328,637,712	3,094,611	-	4,168,039	335,900,361
High	3,985,851	922,133	-	-	4,907,985
Default	-	123,089	517,721	-	640,810
Gross carrying amount	580,154,635	5,609,851	517,721	4,168,039	590,450,246
Loss allowance on amortised cost	(1,393,658)	-	-	-	(1,393,658)
Carrying amount	578,760,977	5,609,851	517,721	4,168,039	589,056,588

	The Group				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
LOANS AND ADVANCES	**$000**	**$000**	**$000**	**$000**	**$000**
Risk rating					
Low	278,058,237	8,422,494	24,606	-	286,505,337
Medium	110,651,378	6,835,092	-	-	117,486,470
High	3,348,586	4,244,019	12,453,968	-	20,046,573
Default	-	149,429	8,433,690	-	8,583,119
Gross carrying amount	392,058,201	19,651,034	20,912,264	-	432,621,499
Loss allowance	(1,594,326)	(2,036,563)	(9,526,731)	-	(13,157,620)
Carrying amount	390,463,875	17,614,471	11,385,533	-	419,463,879

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50. Financial Risk Management (Continued)

Maximum exposure to credit risk(continued)

	The Group				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DUE FROM BANKS, REINSURANCE and OTHER ASSETS	**$000**	**$000**	**$000**	**$000**	**$000**
Risk rating					
Low	221,546,529	-	-	-	221,546,529
Gross carrying amount	221,546,529	-	-	-	221,546,529
Loss allowance	(398,585)	-	-	-	(398,585)
Carrying amount	221,147,944	-	-	-	221,147,944

	The Company				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEBT SECURITIES	**$000**	**$000**	**$000**	**$000**	**$000**
Risk rating					
Low	7,115,932	-	-	-	7,115,932
Gross carrying amount	7,115,932	-	-	-	7,115,932

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50. Financial Risk Management (Continued)

Maximum exposure to credit risk(continued)

	The Company				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
LOANS AND ADVANCES	**$000**	**$000**	**$000**	**$000**	**$000**
Risk rating					
Low	251,899	-	-	-	251,899
Gross carrying amount	251,899	-	-	-	251,899
Loss allowance	(47)	-	-	-	(47)
Carrying amount	251,852	-	-	-	251,852

	The Company				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DUE FROM BANKS, REINSURANCE and OTHER ASSETS	**$000**	**$000**	**$000**	**$000**	**$000**
Risk rating					
Low	18,685,340	-	-	-	18,685,340
Gross carrying amount	18,685,340	-	-	-	18,685,340
Loss allowance	(29)	-	-	-	(29)
Carrying amount	18,685,311	-	-	-	18,685,311

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50. Financial Risk Management (Continued)

The following tables contain an analysis of the expected credit losses. For debt securities, the amounts disclosed include instruments at amortised cost (ECL disclosed in maximum exposure to credit risk) and FVOCI:

	The Group				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEBT SECURITIES	**\$000**	**\$000**	**\$000**	**\$000**	**\$000**
Risk rating					
Low	289,494	21,737	-	-	311,231
Medium	1,948,894	212,961	-	-	2,161,855
High	628,598	128,927	-	-	757,525
Default	-	-	363,215	-	363,215
Loss allowance	2,866,986	363,625	363,215	-	3,593,826

	The Group				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
LOANS AND ADVANCES	**\$000**	**\$000**	**\$000**	**\$000**	**\$000**
Risk rating					
Low	880,421	105,735	558	-	986,714
Medium	651,499	1,762,297	-	-	2,413,796
High	62,406	168,531	23,350	-	254,287
Default	-	-	9,502,823	-	9,502,823
Loss allowance	1,594,326	2,036,563	9,526,731	-	13,157,620

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50. Financial Risk Management (Continued)

	The Group				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DUE FROM BANKS, REINSURANCE and OTHER ASSETS	**$000**	**$000**	**$000**	**$000**	**$000**
Risk rating					
Low	398,585	-	-	-	398,585
Loss allowance	398,585	-	-	-	398,585

	The Company				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEBT SECURITIES	**$000**	**$000**	**$000**	**$000**	**$000**
Risk rating					
Low	1,331	-	-	-	1,331
Loss allowance	1,331	-	-	-	1,331

	The Company				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
LOANS AND ADVANCES	**$000**	**$000**	**$000**	**$000**	**$000**
Risk rating					
Low	47	-	-	-	47
Loss allowance	47	-	-	-	47

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50. Financial Risk Management (Continued)

	The Company				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DUE FROM BANKS and OTHER ASSETS	**\$000**	**\$000**	**\$000**	**\$000**	**\$000**
Risk rating					
Low	29	-	-	-	29
Gross carrying amount	29	-	-	-	29

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50. Financial Risk Management (Continued)

Loss allowance

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

	The Group				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEBT SECURITIES	**\$000**	**\$000**	**\$000**	**\$000**	**\$000**
Loss allowance as at October 1, 2018	2,732,330	470	365,068	**-**	3,097,868
Transfers:					
Transfer from Stage 1 to Stage 2	(50,248)	50,248	-	-	-
Transfer from Stage 2 to Stage 1	2,371	(2,371)	-	-	-
New financial assets originated or purchased	623,962	31,440	-	-	655,402
On acquisition of subsidiary	1,133,086	307,484	-	-	1,440,570
Disposal of subsidiary	(29,725)	-	-	-	(29,725)
Financial assets derecognised during the period	(1,005,741)	(2,849)	-	-	(1,008,590)
Changes to principal	(4,841)	-	-	-	(4,841)
Changes to input to ECL model	(452,152)	(18,824)	-	-	(470,976)
Foreign exchange movement	(82,056)	(1,973)	(1,853)	-	(85,882)
Loss allowance as at September 30, 2019	2,866,986	363,625	363,215	**-**	3,593,826

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50. Financial Risk Management (Continued)

	The Group				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
LOANS AND ADVANCES	**$000**	**$000**	**$000**	**$000**	**$000**
Loss allowance as at October 1, 2018	1,620,577	224,868	6,756,798	-	8,602,243
Transfers:					
Transfer from Stage 1 to Stage 2	(222,328)	222,328	-	-	-
Transfer from Stage 1 to Stage 3	(1,710,388)	-	1,710,388	-	-
Transfer from Stage 2 to Stage 3	-	(796,326)	796,326	-	-
Transfer from Stage 2 to Stage 1	16,643	(16,643)	-	-	-
Transfer from Stage 3 to Stage 1	46	-	(46)	-	-
Transfer from Stage 3 to Stage 2	-	12,632	(12,632)	-	-
New financial assets originated or purchased	1,833,130	1,697,715	-	-	3,530,845
On acquisition of subsidiary	103,903	371,678	196,329	-	671,910
Financial assets derecognised during the period	(1,610)	(482)	(402)	-	(2,494)
Write offs	-	160	(1,017,777)	-	(1,017,617)
Changes to principal	(4,165)	(11,596)	-	-	(15,761)
Changes to input to ECL model	(41,602)	334,641	1,097,826	-	1,390,865
Foreign exchange movement	120	(2,411)	(80)	-	(2,371)
Loss allowance as at September 30, 2019	**1,594,326**	**2,036,564**	**9,526,730**	**-**	**13,157,620**

	The Group				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DUE FROM BANKS, REINSURANCE ASSET and OTHER ASSETS	**$000**	**$000**	**$000**	**$000**	**$000**
Loss allowance as at October 1, 2018	15,227	-	-	-	15,227
On acquisition of subsidiary	398,342	-	-	-	398,342
New financial assets originated or purchased	243	-	-	-	243
Financial assets derecognised during the period	(15,227)	-	-	-	(15,227)
Loss allowance as at September 30, 2019	398,585	-	-	-	398,585

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50. Financial Risk Management (Continued)

Loss allowance (continued)

	The Company				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEBT SECURITIES	**$000**	**$000**	**$000**	**$000**	**$000**
Loss allowance as at October 1, 2018	1,353	-	-	-	1,353
Transfers:					
New financial assets originated or purchased	55	-	-	-	55
Loss allowance as at September 30, 2019	1,408	-	-	-	1,408

	The Company				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
LOANS AND ADVANCES	**$000**	**$000**	**$000**	**$000**	**$000**
Loss allowance as at October 1, 2018	-	-	-	-	-
Transfers:					
New financial assets originated or purchased	47	-	-	-	47
Loss allowance as at September 30, 2019	47	-	-	-	47

	The Company				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DUE FROM BANKS, REINSURANCE ASSET and OTHER ASSETS	**$000**	**$000**	**$000**	**$000**	**$000**
Loss allowance as at October 1, 2018	226	-	-	-	226
Transfers:					
New financial assets originated or purchased	29	-	-	-	29
Financial assets derecognised during the period	(226)	-	-	-	(226)
Loss allowance as at September 30, 2019	29	-	-	-	29

(expressed in Jamaican dollars unless otherwise indicated)

50. Financial Risk Management (Continued)

Credit risk

The most significant period-end assumptions used for the ECL estimate are set out in the tables below

At October 1, 2018 and September 30, 2019

Economic variable assumptions for exposure – securities

Macroeconomic variables used in the Group's ECL models for securities include, but are not limited to, Global Gross Domestic Product, Global Consumer Price Index and interest rates. The impact of these economic variables has been determined by performing statistical analysis to understand that a correlation exists between certain variables. The PDs and LGDs are impacted by long-term changes in the various data sets gathered from external rating agencies (Standard & Poor, Moody's) and the International Monetary Fund. Macroeconomic variable assumptions in the expected credit loss models include Global Gross Domestic Product 3.70 (2018- 3.71) and Global Consumer Price Index 3.29 (2018 – 3.31).

Economic variable assumptions for exposure – loans and advances

For lending operations in Jamaica and Trinidad and Tobago, management has examined the information within the market and selected economic metrics that have a significant correlation to credit losses.

Expected state for the next 12 months		Jamaica	Trinidad
GDP growth	Base	Stable	Stable
	Upside	Positive	Stable
	Downside	Negative	Stable
Inflation	Base	Stable	Stable
	Upside	Stable	Stable
	Downside	Negative	Negative

In the Bermuda subsidiaries macroeconomic variables include, but are not limited to, unemployment rates, collateral normalization rates and interest rates. The impact of these economic variables has been determined by performing statistical analyses to confirm that a correlation exists between certain variables, mainly default rates. The PD is impacted by changes in unemployment rate data gathered from an external rating agency. Collateral normalisation rate changes impact the LGD and interest rates estimations will impact future year balances in the calculation of ECL. The impact of any reasonably possible fluctuations in these variables is considered by management to be immaterial.

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50. Financial Risk Management (Continued)

Credit risk

Sensitivity analysis
Set out below are the changes in ECL as at 30 September 2019 that would result from a reasonably possible change in the PDs used by the Group:

	The Group		
			Impact on ECL
Financial Assets	**Actual PD ranges applied**	**% Change in PD**	**Impact**
			$'000
Debt securities	0.0145% - 30.8%	+/- 20%	547,444
Loans and advances	0% - 0.074%	+/- 20%	178,723
Repurchase agreements	0.002% - 0.018%	+/- 20%	169
Cash and cash equivalents	0.002% - 0.007%	+/- 20%	3,353
Commitments, guarantees & LCs	0.1512% -0.688%	+/- 20%	-
Total			729,689

	The Company		
			Impact on ECL
Financial Assets	**Actual PD ranges applied**	**% Change in PD**	**Impact**
			$'000
Debt securities	0.01901%	+/- 20%	266
Loans and advances	0.018%	+/- 20%	9
Cash and cash equivalents	0.0016%	+/- 20%	6
Total			281

50. 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 on-going 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 Group'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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50. 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, 2019:						
Due to Banks	7,650,272	2,057,785	5,987,784	18,082,435	-	33,778,276
Customer deposits	420,197,834	17,323,412	59,687,139	18,388,394	-	515,596,779
Repurchase agreements	75,136,421	41,242,132	25,566,555	44,217,404	-	186,162,512
Obligations under securitisation arrangements	2,230,244	1,213,217	10,891,642	33,184,758	8,107,276	55,627,137
Other borrowed funds	804,097	12,484,150	14,205,324	107,201,569	7,064,703	141,759,843
Third party interests in mutual funds	22,138,490	-	-	-	-	22,138,490
Liabilities under annuity , insurance and investment contracts	30,149,605	4,047,695	46,807,275	84,927,042	540,725,943	706,657,560
Segregated fund liabilities	2,032,449	3,415,398	10,812,339	-	-	16,260,187
Other	39,830,086	-	-	-	-	39,830,086
Total financial liabilities (contractual maturity dates)	600,169,498	81,783,789	173,958,058	306,001,602	555,897,922	1,717,810,870
Total financial liabilities (expected maturity dates)	167,663,781	66,571,720	195,865,748	409,507,719	882,526,066	1,722,135,034
Total financial assets (expected maturity dates)	284,540,702	41,714,693	134,919,008	517,332,898	894,829,097	1,873,336,398

	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, 2018:						
Due to Banks	9,853,737	-	2,196,684	-	-	12,050,421
Customer deposits	374,917,555	49,028,203	60,635,721	26,832,754	12,018	511,426,251
Repurchase agreements	57,216,409	51,990,987	23,847,709	26,191,095	-	159,246,200
Obligations under securitisation arrangements	2,228,801	1,436,165	10,730,679	51,723,898	12,603,158	78,722,701
Other borrowed funds	1,270,035	1,700,402	7,375,488	63,610,786	1,547,339	75,504,050
Liabilities under annuity and insurance contracts	28,574,796	1,554,195	5,905,377	6,125,336	56,184,925	98,344,629
Other	13,121,114	-	-	-	-	13,121,114
Total financial liabilities (contractual maturity dates)	487,182,447	105,709,952	110,691,658	174,483,869	70,347,440	948,415,366
Total financial liabilities (expected maturity dates)	118,854,402	40,680,607	107,576,219	338,276,662	384,876,474	990,264,364
Total financial assets (expected maturity dates)	179,570,093	21,000,955	81,622,751	448,695,253	530,969,692	1,261,858,744

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50. Financial Risk Management (Continued)

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

	The Company					
	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, 2019:						
Due to banks	-	2,983,285	163,449	18,082,435	-	21,229,169
Other borrowed funds	535,178	853,313	11,147,454	68,055,743	-	80,591,688
Other	626,443	-	-	-	-	626,443
Total financial liabilities (contractual maturity dates)	1,161,621	3,836,598	11,310,903	86,138,178	-	102,447,300
Total financial liabilities (expected maturity dates)	1,161,621	3,836,598	11,310,903	86,138,178	-	102,447,300
Total financial assets (expected maturity dates)	4,320,340	155,883	708,721	7,041,586	13,615,210	25,841,740

	The Company					
	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, 2018:						
Other borrowed funds	494,003	673,179	11,618,254	59,114,604	-	71,900,040
Other	759,751	-	-	-	-	759,751
Total financial liabilities (contractual maturity dates)	1,253,754	673,179	11,618,254	59,114,604	-	72,659,791
Total financial liabilities (expected maturity dates)	1,253,754	673,179	11,618,254	59,114,604	-	72,659,791
Total financial assets (expected maturity dates)	14,094,297	230,616	1,844,932	7,882,575	-	24,052,420

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 financial institutions.

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(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, 2019				
Credit commitments	53,107,800	6,677,836	1,600,899	61,386,535
Guarantees, acceptances and other financial facilities	5,855,716	3,014,114	-	8,869,830
Operating lease commitments	607,006	1,983,898	701,919	3,292,823
Capital commitments	4,656,873	449,912	-	5,106,785
	64,227,395	12,125,760	2,302,818	78,655,973
At September 30, 2018				
Credit commitments	56,197,509	944,200	373,911	57,515,620
Guarantees, acceptances and other financial facilities	5,408,294	1,428,224	1,771,154	8,607,672
Operating lease commitments	259,129	1,043,378	212,745	1,515,252
Capital commitments	8,529,424	41,691	-	8,571,115
	70,394,356	3,457,493	2,357,810	76,209,659

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 $51,464,000 (2018 – $3,223,517,000) for the Group has already been contracted.

50. 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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50. 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$**	**BMD**	**GBP**	**EURO**	**TT**	**CAD**	**NAF**	**Other**	**Total**
September 30, 2019	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets										
Cash in hand and balances at Central Banks	36,099,458	22,375,790	890,563	1,685,701	13,194	691,522	401,063	-	378,098	62,535,389
Due from banks	7,386,296	61,924,009	1,372,533	9,326,850	5,098,405	19,948,698	2,440,397	29,799,350	9,738,538	147,035,076
Reverse repurchase agreements	5,721,494	2,116,404	-	-	-	-	-	-	-	7,837,898
Loans and advances net of provision for credit losses	217,359,977	106,758,671	82,397,439	1,933	1,603,288	6,446,932	-	8,533,682	678	423,102,600
Investment securities	231,060,253	332,411,712	-	4,461,779	363,450	134,663,921	2,838,484	42,408,107	11,288,300	759,496,006
Derivative financial instruments	-	239,279	-	-	-	-	-	-	-	239,279
Reinsurance assets	1,098,558	10,346,111	-	2,080,304	2,808,678	1,177,975	-	2,210,924	14,056,898	33,779,448
Other	11,275,364	12,365,377	1,411,434	44,999	3,701,145	1,240,171	7,496	5,885,510	4,800,509	40,732,005
Total financial assets	510,001,400	548,537,353	86,071,969	17,601,566	13,588,160	164,169,219	5,687,440	88,837,573	40,263,021	1,474,757,701
Liabilities										
Due to banks	3,792,672	18,802,627	-	94,930	10,428	1,931	50,860	-	22,807	22,776,255
Customer deposits	212,911,020	185,593,848	79,459,345	14,438,893	1,946,036	7,522,506	2,216,628	-	590,260	504,678,536
Repurchase agreements	59,353,455	114,045,903	-	-	-	-	-	-	1,220,618	174,619,976
Obligations under securitisation arrangements	-	48,675,580	-	-	-	-	-	-	-	48,675,580
Other borrowed funds	24,009,455	54,626,881	-	-	409,215	43,919,669	-	527,224	1,762,864	125,255,308
Liabilities under annuity , insurance and investment contracts	68,598,971	28,390,141	-	2,324,589	5,853,294	180,447,355	-	114,661,469	24,377,726	424,653,545
Derivative financial instruments	-	239,279	-	-	-	-	-	-	-	239,279
Segregated fund liabilities	16,549,531	-	-	-	-	-	-	-	-	16,549,531
Third party interest in mutual funds	-	7,846,610	-	-	-	14,291,880	-	-	-	22,138,490
Other	16,796,398	9,710,883	679,962	683,013	2,631,178	4,118,143	177,579	7,207,395	1,750,788	43,755,339
Total financial liabilities	402,011,502	467,931,753	80,139,307	17,541,425	10,850,151	252,126,783	2,445,067	122,396,088	29,725,063	1,383,341,839
Net on-statement of financial position position	107,989,898	80,605,600	5,932,662	60,141	2,738,009	(87,957,564)	3,242,373	(33,558,515)	10,537,958	91,415,862
Guarantees, acceptances and other financial facilities	3,452,361	5,100,536	198,482	989	117,462	-	-	-	-	8,869,830
Credit commitments	43,547,343	15,221,763	2,617,429	-	-	-	-	-	-	61,386,535

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50. 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)

	J$	US$	BMD	GBP	CAN$	Other	Total
September 30, 2018	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets							
Cash in hand and balances at Central Banks	53,828,009	18,872,941	-	1,702,902	294,151	13,393	74,711,396
Due from banks	596,696	27,539,548	4,552,470	10,677,640	1,642,769	5,556,258	50,565,381
Investment securities at fair value through profit or loss	2,976,359	617,654	-	-	-	101,000	3,695,013
Reverse repurchase agreements	3,552,468	254,709	-	-	-	-	3,807,177
Loans and advances net of provision for credit losses	190,268,378	84,501,804	95,631,741	-	-	2,232,778	372,634,701
Investment securities classified as available-for-sale and loans and receivables	218,909,883	111,493,920	52,098,510	2,276,591	-	1,016,127	385,795,031
Derivative financial instruments	-	233,329	-	-	-	-	233,329
Other	9,026,250	2,233,825	-	83,393	2,173	39,747	11,385,388
Total financial assets	479,158,043	245,747,730	152,282,721	14,740,526	1,939,093	8,959,303	902,827,416
Liabilities							
Due to banks	7,350,774	4,325,053	-	89,966	49,407	-	11,815,200
Customer deposits	190,938,719	126,187,871	147,351,483	14,574,406	2,274,923	3,520,388	484,847,790
Repurchase agreements	54,596,761	98,154,134	-	133,731	-	-	152,884,626
Obligations under securitisation arrangements	-	59,519,651	-	-	-	-	59,519,651
Other borrowed funds	18,597,829	47,125,144	-	-	-	-	65,722,973
Liabilities under annuity and insurance contracts	37,342,865	750,142	-	-	-	-	38,093,007
Derivative financial instruments	-	259,002	-	-	-	-	259,002
Other	6,696,728	4,200,527	2,324,983	181,380	72,158	212,189	13,687,965
Total financial liabilities	315,523,676	340,521,524	149,676,466	14,979,483	2,396,488	3,732,577	826,830,214
Net on-statement of financial position position	163,634,367	(94,773,794)	2,606,255	(238,957)	(457,395)	5,226,726	75,997,202
Guarantees, acceptances and other financial facilities	3,221,574	5,097,037	163,011	1,048	-	125,002	8,607,672
Credit commitments	36,349,806	18,941,465	2,224,349	-	-	-	57,515,620

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50. 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$**	**TT$**	**Total**
September 30, 2019	**$'000**	**$'000**	**$'000**	**$'000**
Assets				
Due from banks	3,270,783	557,114	16,271	3,844,168
Loan to related party	251,852	-	-	251,852
Investment securities	7,115,932	-	-	7,115,932
Other	14,836,687	4,456	-	14,841,143
Total financial assets	25,475,254	561,570	16,271	26,053,095
Liabilities				
Due to banks	2,338,352	10,273,668	-	12,612,020
Other borrowed funds	22,403,508	54,104,525	-	76,508,033
Other	336,617	261,017	28,810	626,444
Total financial liabilities	25,078,477	64,358,649	28,810	89,746,497
Net on-statement of financial position position	396,777	(64,077,640)	(12,539)	(63,693,402)

	J$	**US$**	**TT$**	**Total**
September 30, 2018	**$'000**	**$'000**	**$'000**	**$'000**
Assets				
Due from banks	1,966,309	14,610,644	-	16,576,953
Investment securities classified as available-for-sale and loans and receivables	7,115,932	-	-	7,115,932
Other	3,518,862	164,696	-	3,683,558
Total financial assets	12,601,103	14,775,340	-	27,376,443
Liabilities				
Other borrowed funds	12,076,095	48,189,141	-	60,265,236
Other	411,485	295,281	-	706,766
Total financial liabilities	12,487,580	48,484,422	-	60,972,002
Net on-statement of financial position position	113,523	(33,709,082)	-	(33,595,559)

50. 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)

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.

	2019			2018		
	% Change in Currency Rate	Effect on Profit before Taxation		% Change in Currency Rate	Effect on Profit before Taxation	
		The Group	The Company		The Group	The Company
		$'000	$'000		$'000	$'000
Currency:						
USD	Appreciation 2%	(1,612,112)	1,281,553	Appreciation 2%	1,895,476	674,181
	Depreciation 4%	3,224,224	(2,563,106)	Depreciation 4%	(3,790,952)	(1,348,363)
GBP	Appreciation 2%	(1,203)	-	Appreciation 2%	4,779	-
	Depreciation 4%	2,406	251	Depreciation 4%	(9,558)	-
TTD	Appreciation 2%	1,759,151	(502)	Appreciation 2%	-	-
	Depreciation 4%	(3,518,303)	-	Depreciation 4%	-	-
EUR	Appreciation 2%	54,760	-	Appreciation 2%	-	-
	Depreciation 4%	(109,520)	-	Depreciation 4%	-	-
CAN	Appreciation 2%	(64,867)	-	Appreciation 2%	9,148	-
	Depreciation 4%	129,695	-	Depreciation 4%	(18,296)	-
NAF	Appreciation 2%	671,170	-	Appreciation 2%	-	-
	Depreciation 4%	(1,342,341)	-	Depreciation 4%	-	-
BMD	Appreciation 2%	(118,653)	-	Appreciation 2%	(52,125)	-
	Depreciation 4%	237,306	-	Depreciation 4%	104,250	-

50. Financial Risk Management (Continued)
(c) Market risk (continued)

(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.

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.

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50. Financial Risk Management (Continued)

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

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**	**Total**
September 30, 2019	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets							
Cash in hand and balances at Central Banks	10,010,223	-	-	-	373,651	52,151,515	62,535,389
Due from banks	58,951,980	5,769,434	34,299,486	13,331,712	6,394,324	28,288,140	147,035,076
Reverse repurchase agreements	5,460,400	2,080,600	292,074	-	-	4,824	7,837,898
Loans and advances net of provision for credit impairment losses	104,071,755	42,859,635	15,755,450	112,700,441	145,940,268	1,775,051	423,102,600
Investment securities classified as FVOCI	95,712,537	34,351,243	51,279,814	132,256,815	375,766,950	70,128,647	759,496,006
Reinsurance asset	-	-	-	-	-	33,779,448	33,779,448
Derivative financial instruments	-	-	-	-	-	239,279	239,279
Other	1,155	-	803,268	-	-	39,927,582	40,732,005
Total financial assets	274,208,050	85,060,912	102,430,092	258,288,968	528,475,193	226,294,486	1,474,757,701
Liabilities							
Due to banks	9,968,510	4,390,815	2,049,994	3,010,650	-	3,356,286	22,776,255
Customer deposits	406,550,494	19,119,461	49,791,936	27,100,771	-	2,115,874	504,678,536
Repurchase agreements	74,319,092	35,276,619	22,643,341	41,508,658	-	872,266	174,619,976
Obligations under securitisation arrangements	1,634,716	1,117,850	12,498,311	25,293,550	7,565,430	565,723	48,675,580
Other borrowed funds	1,176,427	20,740,423	4,773,346	85,266,182	12,328,243	970,687	125,255,308
Derivative financial instruments	-	-	-	-	-	239,279	239,279
Liabilities under annuity, insurance and investment contracts	60,232,904	1,067,517	8,257,479	75,866,254	205,170,291	74,059,100	424,653,545
Third party interest in mutual funds	22,138,490	-	-	-	-	-	22,138,490
Segregated fund liabilities	19,163	14,458	93,814	484,305	15,937,791	-	16,549,531
Other	9,687,871	-	-	-	-	34,067,468	43,755,339
Total financial liabilities	585,727,667	81,727,143	100,108,221	258,530,370	241,001,755	116,246,683	1,383,341,839
On-statement of financial position interest sensitivity gap	(311,519,617)	3,333,769	2,321,871	(241,402)	287,473,438	110,047,803	91,415,862
Cumulative interest sensitivity gap	(311,519,617)	(308,185,848)	(305,863,977)	(306,105,379)	(18,631,941)	91,415,862	

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50. 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, 2018	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets							
Cash in hand and balances at Central Banks	19,990,000	-	-	-	-	54,721,396	74,711,396
Due from banks	25,540,184	214,827	2,029,760	-	-	22,780,610	50,565,381
Investment securities at fair value through profit or loss	-	89,035	27,628	120,407	1,645,272	1,812,671	3,695,013
Reverse repurchase agreements	2,851,824	633,017	318,800	-	-	3,536	3,807,177
Loans and advances net of provision for credit losses	86,867,097	44,715,421	19,799,096	115,619,148	101,450,743	4,183,196	372,634,701
Investment securities classified as available-for-sale and loans and receivables	52,787,779	23,132,770	19,101,116	105,785,488	177,042,641	7,945,237	385,795,031
Derivative financial instruments	-	-	-	-	-	233,329	233,329
Other	-	-	-	-	-	11,385,388	11,385,388
Total financial assets	188,036,884	68,785,070	41,276,400	221,525,043	280,138,656	103,065,363	902,827,416
Liabilities							
Due to banks	5,785,613	10,805	2,010,827	-	-	4,007,955	11,815,200
Customer deposits	297,309,415	33,316,366	41,350,672	15,503,807	17,472,927	79,894,603	484,847,790
Repurchase agreements	55,974,542	50,166,193	22,255,954	23,801,290	-	686,647	152,884,626
Obligations under securitisation arrangements	2,658,234	-	8,111,837	39,735,296	8,343,430	670,854	59,519,651
Other borrowed funds	766,735	10,839,294	21,030,929	30,668,388	1,869,708	547,919	65,722,973
Derivative financial instruments	-	-	-	-	-	259,002	259,002
Liabilities under annuity and insurance contracts	26,864,171	154,944	772,229	-	-	10,301,663	38,093,007
Other	-	-	-	-	-	13,687,965	13,687,965
Total financial liabilities	389,358,710	94,487,602	95,532,448	109,708,781	27,686,065	110,056,608	826,830,214
On-statement of financial position interest sensitivity gap	(201,321,826)	(25,702,532)	(54,256,048)	111,816,262	252,452,591	(6,991,245)	75,997,202
Cumulative interest sensitivity gap	(201,321,826)	(227,024,358)	(281,280,406)	(169,464,144)	82,988,447	75,997,202	

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50. 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, 2019	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets							
Due from banks	3,844,168	-	-	-	-	-	3,844,168
Loan to related party	-	-	-	250,000	-	1,852	251,852
Investment securities classified as FVOCI	-	-	-	-	7,000,000	115,932	7,115,932
Other	-	-	-	-	-	14,841,143	14,841,143
Total financial assets	3,844,168	-	-	250,000	7,000,000	14,958,927	26,053,095
Liabilities							
Due to banks	2,500,000	-	-	10,060,650	-	51,370	12,612,020
Other borrowed funds	-	-	10,240,993	65,168,510	-	1,098,530	76,508,033
Other	-	-	-	-	-	626,444	626,444
Total financial liabilities	2,500,000	-	10,240,993	75,229,160	-	1,776,344	89,746,497
On-statement of financial position interest sensitivity gap	1,344,168	-	(10,240,993)	(74,979,160)	7,000,000	13,182,583	(63,693,402)
Cumulative interest sensitivity gap	1,344,168	1,344,168	(8,896,825)	(83,875,985)	(76,875,985)	(63,693,402)	

	Within 1 Month	2 to 3 Months	4 to 12 Months	1 to 5 Years	Over 5 Years	Non-Interest Bearing	Total
September 30, 2018	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets							
Due from banks	16,530,888	-	-	-	-	46,065	16,576,953
Investment securities classified as available-for-sale and loans and receivables	-	-	-	-	7,000,000	115,932	7,115,932
Other	-	-	-	-	-	3,683,558	3,683,558
Total financial assets	16,530,888	-	-	-	7,000,000	3,845,555	27,376,443
Liabilities							
Other borrowed funds	-	8,699,914	-	50,910,338	-	654,984	60,265,236
Other	-	-	-	-	-	706,766	706,766
Total financial liabilities	-	8,699,914	-	50,910,338	-	1,361,750	60,972,002
On-statement of financial position interest sensitivity gap	16,530,888	(8,699,914)	-	(50,910,338)	7,000,000	2,483,805	(33,595,559)
Cumulative interest sensitivity gap	16,530,888	7,830,974	7,830,974	(43,079,364)	(36,079,364)	(33,595,559)	

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50. 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**	**BMD**	**TTD**	**EURO**	**J$**	**US$**	**TT$**	**GBP**
	%	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**%**
September 30, 2019											
Assets											
Balances at Central Banks	0.74	-	-	-	-	-	-	-	-	-	-
Due from banks	2.00	1.90	1.08	0.01	0.03	2.00	0.1	6.00	-	-	-
Reverse repurchase agreements	1.74	1.94	-	-	-	-	-	-	-	-	-
Loans and advances	13.00	6.00	-	-	7.06	4.00	2.00	5.75	-	-	-
Investment securities	5.22	4.00	1.00	2.25	-	4.86	2.00	6.50	-	-	-
Liabilities											
Due to banks	-	6.60	-	-	-	-	-	-	6.60	-	-
Customer deposits	1.00	6.00	0.01	0.16	1.21	-	-	-	-	-	-
Repurchase agreements	1.26	4.13	-	-	-	-	-	-	-	-	-
Obligations under securitisation arrangements	-	6.38	-	-	-	-	-	-	-	-	-
Other borrowed funds	6.59	6.42	-	-	-	-	-	6.50	7.03	-	-
September 30, 2018											
Assets											
Balances at Central Banks	2.00	-	-	-	-	-	-	-	-	-	-
Due from banks	3.00	1.55	1.95	0.51	1.09	-	-	-	5.25	-	-
Investment securities at fair value through profit or loss	6.51	7.00	-	-	-	-	-	-	-	-	-
Reverse repurchase agreements	1.57	1.94	-	-	-	-	-	-	-	-	-
Loans and advances	11.85	6.66	-	-	6.74	-	-	-	-	-	-
Investment securities classified as available-for-sale and loans and receivables	6.00	5.00	-	0.38	2.03	-	-	6.50	-	-	-
Liabilities											
Due to banks	2.00	8.56	-	-	-	-	-	-	-	-	-
Customer deposits	3.07	1.22	0.15	0.11	1.24	-	-	-	-	-	-
Repurchase agreements	2.22	4.93	-	-	-	-	-	-	-	-	-
Obligations under securitisation arrangements	-	6.38	-	-	-	-	-	-	-	-	-
Other borrowed funds	5.99	6.08	-	-	-	-	-	9.27	6.28	-	-

50. 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 FVOCI (2018 - available-for-sale) financial assets for the effects of the assumed changes in interest rates.

	The Group	
	Effect on Net Profit Before Tax	Effect on Other Comprehensive Income
	2019	2019
	$'000	$'000
Change in basis points:		
Decrease - JMD -100 and USD -100	(557,195)	16,694,783
Increase - JMD +100 and USD +100	489,608	(14,886,152)

	Effect on Net Profit Before Tax	Effect on Other Comprehensive Income
	2018	2018
	$'000	$'000
Change in basis points:		
Decrease - JMD -100 and USD -50	(379,169)	8,722,913
Increase - JMD +100 and USD +50	379,169	(8,786,020)

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

50. 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 at fair value through profit or loss or available-for-sale. 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 entities that are publicly traded on the relevant stock exchanges.

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 FVOCI (2018 - available-for-sale).

	The Group			
	Effect on Net Profit Before Tax 2019 $'000	Effect on Other Comprehensive Income 2019 $'000	Effect on Net Profit Before Tax 2018 $'000	Effect on Other Comprehensive Income 2018 $'000
Percentage change in share price				
10% decrease	(5,185,901)	-	(83,628)	(428,202)
10% increase	5,185,901	-	83,628	428,202

(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.

50. Financial Risk Management (Continued)

(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 and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity.

At present, these risks do not vary significantly in relation to the location of the risk insured by the Group. However, undue concentration could have an impact on the severity of benefit payments on a portfolio basis.

For contracts with fixed and guaranteed terms, there are no mitigating terms and conditions that reduce the insurance risk accepted. For contracts without fixed terms, a significant portion of the insurance risk is shared with the insured party. The Group charges for mortality risk on a monthly basis for most life and critical insurance contracts without fixed terms. It has the right to alter these charges based on its mortality experience and hence minimise its exposure to mortality risk.

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.

50. Financial Risk Management (Continued)

(e) Insurance risk (continued)
Life insurance risk (continued)

Frequency and severity of claims (continued)

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.

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:

For the Trinidadian life insurance subsidiaries:

	Total Benefits Assured - Individual			
	2019		2018	
	Before Re-insurance	After Re-insurance	Before Re-insurance	After Re-insurance
Benefits assured per life assured ($'000)				
TT$0 - 250	437,455,420	425,672,206	-	-
TT$251 - 500	480,961,887	399,491,357	-	-
TT$501 - 1,000	386,029,343	248,694,510	-	-
TT$1,001 - 3,000	178,575,425	75,703,467	-	-
More than TT$3,000	87,440,378	17,377,758	-	-
Total	1,570,462,454	1,166,939,297	-	-

For the Jamaican life insurance subsidiaries:

	Total Benefits Assured - Individual			
	2019		2018	
	Before Re-insurance	After Re-insurance	Before Re-insurance	After Re-insurance
Benefits assured per life assured ($'000)				
0 – 1,000	398,636,997	391,696,393	18,047,968	18,047,968
1,000 – 2,000	56,354,008	45,516,356	22,798,451	22,798,451
2,000 – 5,000	17,725,963	9,625,894	26,324,932	26,324,932
5,000 – 10,000	11,582,686	5,640,625	10,105,689	10,105,689
Over 10,000	22,282,827	7,829,275	7,191,512	7,191,512
	506,582,482	460,308,542	84,468,552	84,468,552

For the Dutch Caribbean life insurance subsidiaries:

	Total Benefits Insured			
	2019		2018	
Benefits assured per life assured ($'000)	Before Re-insurance	After Re-insurance	Before Re-insurance	After Re-insurance
NAF$0 - 10,000				
NAF$10,001 - 20,000	204,548,251	199,369,716	-	-
NAF$20,001 - 30,000	17,864,655	9,098,422	-	-
NAF$30,001 - 40,000	5,519,830	2,942,187	-	-
NAF$40,001 - 50,000	1,827,431	275,387	-	-
More than NAF$50,000	1,988,834	357,353	-	-
Total	231,748,979	212,043,066	-	-

50. Financial Risk Management (Continued)

(e) Insurance risk (continued)

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 $19,571,000 (2018 – $41,497,000).
- Policyholders' benefits recovered from reinsurers during the year under these contracts amounted to $66,277,000 (2018 – $15,509,000).
- At September 30, 2019, premiums payable under re-insurance contracts amounted to $13,988,000 (2018 – $3,665,000).

The following tables for annuity insurance contracts illustrate the concentration of risk based on bands that group these contracts in relation to the amount payable per annum, as if the annuity were in payment at the year end.

For the Trinidadian life insurance subsidiaries

	Total Annuities Payable	
	2019	**2018**
Annuity payable per annum per annuitant ($'000)		
TT$0-5,000	133,031	-
TT$5,001-10,000	440,615	-
TT$10,001-20,000	763,779	-
More than TT$20,000	1,963,699	-
Total	**3,301,124**	**-**

For the Jamaican life insurance subsidiaries

	Total Annuities Payable	
	2019	**2018**
Annuity payable per annum per annuitant ($'000)		
0 -100	283,535	57,331
100 – 300	456,968	139,786
300 – 500	388,932	130,192
500 – 1,000	618,877	252,782
Over 1,000	1,974,862	847,876
Total	**3,723,174**	**1,427,967**

For the Dutch Caribbean life insurance subsidiaries

	Total Annuities Payable	
	2019	**2018**
Annuity payable per annum per life		
NAF$0 - 10,000	689,463	-
NAF$10,001 - 20,000	496,740	-
NAF$20,001 - 30,000	296,267	-
NAF$30,001 - 40,000	172,301	-
NAF$40,001 - 50,000	142,694	-
More than NAF$50,000	387,259	-
Total	**2,184,724**	**-**

50. Financial Risk Management (Continued)

(e) Insurance risk (continued)
Life insurance risk (continued)

Apart from the catastrophe cover, 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 Actuaries, 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.

50. 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%. In the case of Jamaica and Trinidad and Tobago, the assumptions are best estimate assumptions with appropriate provisions for adverse deviations, consistent with the use of a Policy Premium Method valuation. For other territories, the assumptions used are those appropriate for traditional net premium valuation methods. See Note 39 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 Group arranges it’s reinsurance by type of insurance coverage:

- Individual life – This business is covered by excess of loss and quota share reinsurance arrangements. The method of reinsurance varies for different products with the majority being reinsured on a Yearly Renewable Term (YRT) basis and others being co-insured.
- Group life – The group life portfolio is reinsured on an excess reinsurance arrangement with Swiss Re. Separate treaties exist for group life (including critical illness and accidental death and dismemberment) and group mortgage.
- Catastrophe cover – This cover has been secured for individual life and group life portfolio. It is renewable annually and is held with Sirius International, RGA and Swiss Re.

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.

50. 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 reinsurance arrangements remain adequate and mechanisms are in place to continually monitor the reinsurance counterparties to ensure that they maintain ratings in keeping with the Board approved Reinsurance Risk Management Policy.

50. 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 Group makes assumptions that costs will increase in line with the latest available research.

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50. 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
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
2019					
Gross	4,245,841	21,095,439	8,088,166	2,474,577	35,904,023
Net of proportional reinsurance	2,418,431	4,875,350	5,598,687	401,544	13,291,909
2018					
Gross	11,696	10,737	4,060,919	-	4,083,352
Net of proportional reinsurance	11,696	4,925	4,056,076	-	4,072,697

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.

The top half of each table below illustrates how the Group's estimate of total claims outstanding for each accident year/underwriting year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the amount appearing on the consolidated statement of financial position as per summary below.

	Total
	$'000
Insurance claims - gross	
By accident year	32,718,028
By underwriting year	3,185,994
Total liability (Note 39)	35,904,022
Insurance claims - net	
By accident year	12,189,221
By underwriting year	1,105,691
Total liability (Note 39)	13,294,912

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50. Financial Risk Management (Continued)

(e) Insurance risk (continued)
Property and casualty insurance risk (continued)
Risk exposure and concentrations of risk(continued)

Insurance claims – gross	2012 $'000	2013 $'000	2014 $'000	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000	Total $'000
Accident year									
Estimate of cumulative claims costs:									
Claims at end of accident year	17,768,204	20,972,170	21,286,488	25,305,139	25,958,898	65,302,904	27,165,563	34,911,698	-
One year later	15,881,002	19,492,250	19,822,448	23,210,071	24,182,174	68,511,413	23,169,985	-	-
Two years later	15,923,998	19,752,097	20,314,884	23,503,629	23,898,598	61,692,273	-	-	-
Three years later	15,701,927	19,251,611	20,253,479	23,261,913	23,347,805	-	-	-	-
Four years later	15,789,352	19,101,943	20,032,444	23,052,653	-	-	-	-	-
Five years later	16,343,991	19,017,128	19,911,368	-	-	-	-	-	-
Six years later	16,279,060	18,987,122	-	-	-	-	-	-	-
Seven years later	16,364,333	-	-	-	-	-	-	-	-
Current estimate of cumulative claims	16,364,333	18,987,122	19,911,368	23,052,653	23,347,805	61,692,273	23,169,985	34,911,698	221,437,237
Cumulative payments to date	15,904,253	18,668,162	19,176,717	21,865,793	22,324,299	57,962,897	20,669,767	13,487,516	190,059,404
Liability recognised in the consolidated statement of financial position	460,080	318,960	734,650	1,186,861	1,023,506	3,729,377	2,500,218	21,424,182	31,377,833
Liability in respect of prior years	-	-	-	-	-	-	-	-	1,340,193
Total liability	-	-	-	-	-	-	-	-	32,718,028

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50. Financial Risk Management (Continued)

(e) Insurance risk (continued)
Property and casualty insurance risk (continued)
Risk exposure and concentrations of risk(continued)

	2012	2013	2014	2015	2016	2017	2018	2019	Total
Insurance claims – gross	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Underwriting year									
Estimate of cumulative claims costs:									
Claims at end of accident year	189,774	1,165,343	673,783	521,346	437,208	451,673	347,053	69,873	-
One year later	259,806	1,344,797	839,748	687,291	498,713	552,905	398,416	-	-
Two years later	262,954	1,276,876	768,381	631,166	468.867	538,281	-	-	-
Three years later	277,479	1,255,279	747,999	638,458	463,627	-	-	-	-
Four years later	275,526	1,233,024	731,423	631,724	-	-	-	-	-
Five years later	271,123	1,224,716	726,143	-	-	-	-	-	-
Six years later	263,572	1,223,780	-	-	-	-	-	-	-
Seven years later	267,397	-	-	-	-	-	-	-	-
Current estimate of cumulative claims	267,397	1,223,780	726,143	631,724	463,627	538,281	398,416	69,873	4,319,241
Cumulative payments to date	242,034	1,181,999	687,789	563,365	382,278	339,083	121,336	-	3,517,886
Liability recognised in the consolidated statement of financial position	25,363	41,780	38,353	68,359	81,349	199,198	277,080	69,873	801,354
Liability in respect of prior years	-	-	-	-	-	-	-	-	2,384,640
Total liability	-	-	-	-	-	-	-	-	3,185,994

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50. Financial Risk Management (Continued)

(e) Insurance risk (continued)
Property and casualty insurance risk (continued)
Risk exposure and concentrations of risk(continued)

Insurance claims – net	2012 $'000	2013 $'000	2014 $'000	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000	Total $'000
Accident year									
Estimate of cumulative claims costs:									
Claims at end of accident year	15,292,672	15,790,747	17,306,749	18,520,348	18,853,733	31,718,112	20,715,215	17,258,314	-
One year later	13,154,848	13,689,145	15,957,171	16,817,381	17,197,308	29,783,411	18,349,342	-	-
Two years later	12,531,512	14,044,725	16,406,233	16,984,581	16,621,251	29,453,234	-	-	-
Three years later	12,777,930	13,834,768	16,372,343	17,037,459	16,862,209	-	-	-	-
Four years later	12,846,368	13,998,382	15,913,438	16,659,066	-	-	-	-	-
Five years later	12,889,463	13,996,569	16,016,524	-	-	-	-	-	-
Six years later	13,025,383	13,884,139	-	-	-	-	-	-	-
Seven years later	13,364,566	-	-	-	-	-	-	-	-
Current estimate of cumulative claims	13,364,566	13,884,139	16,016,524	16,659,066	16,862,209	29,453,234	18,349,342	17,258,314	141,847,295
Cumulative payments to date	12,869,400	13,683,028	15,345,351	16,087,293	15,865,182	28,480,753	16,707,601	11,483,102	130,521,710
Liability recognised in the consolidated statement of financial position	495,166	201,111	671,173	571,773	997,027	972,481	1,641,641	5,775,212	11,325,584
Liability in respect of prior years	-	-	-	-	-	-	-	-	863,637
Total liability	-	-	-	-	-	-	-	-	12,189,221

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50. Financial Risk Management (Continued)

(e) Insurance risk (continued)
Property and casualty insurance risk (continued)
Risk exposure and concentrations of risk(continued)

Insurance claims – net	**2012** **$'000**	**2013** **$'000**	**2014** **$'000**	**2015** **$'000**	**2016** **$'000**	**2017** **$'000**	**2018** **$'000**	**2019** **$'000**	**Total** **$'000**
Underwriting year									
Estimate of cumulative claims costs:									
Claims at end of accident year	189,774	1,165,343	673,783	521,346	437,208	451,673	347,053	69,873	-
One year later	259,806	1,344,797	839,748	687,291	498,713	552,905	398,416	-	-
Two years later	262,954	1,276,876	768,381	631,166	468,867	538,281	-	-	-
Three years later	277,479	1,255,279	747,999	638,458	463,627	-	-	-	-
Four years later	275,526	1,233,024	731,423	631,724	-	-	-	-	-
Five years later	271,123	1,224,716	726,143	-	-	-	-	-	-
Six years later	263,572	1,223,780	-	-	-	-	-	-	-
Seven years later	267,397	-	-	-	-	-	-	-	-
Current estimate of cumulative claims	267,397	1,223,780	726,143	631,724	463,627	538,281	398,416	69,873	4,319,241
Cumulative payments to date	242,034	1,181,999	687,789	563,365	382,278	339,083	121,336	-	3,517,886
Liability recognised in the consolidated statement of financial position	25,363	41,780	38,353	68,359	81,349	199,198	277,080	69,873	801,355
Liability in respect of prior years	-	-	-	-	-	-	-	-	304,336
Total liability	-	-	-	-	-	-	-	-	1,105,691

50. 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 relevant regulator in their jurisdiction or other regulators. The regulatory requirements to which the subsidiaries are subject, include minimum capital and liquidity requirements which may limit the their 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 23.

(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 Bank of Jamaica (BOJ/Central Bank), and the relevant management committees. The required information is filed with the regulator 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, 2019.

50. Financial Risk Management (Continued)

(f) Capital management (continued)

(ii) NCB Insurance Company Limited (NCBIC)

NCBIC maintains a capital structure consisting mainly of shareholders' funds consistent with its 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 Financial Services Commission (FSC) in Jamaica. 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, 2019.

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.

50. Financial Risk Management (Continued)

(f) Capital management (continued)

(iii) NCB Capital Markets Limited (NCBCM)

The company is regulated by the 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 NCBCM is able to offer to clients. In addition to the requirements of the FSC, NCBCM also engages in periodic internal testing which is reviewed by the Risk Management Committee. Capital adequacy is managed at the operational level of NCBCM.

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 FVOCI.

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.

NCBCM met all the FSC regulatory capital requirements as at September 30, 2019.

(iv) Clarien Bank Limited

Capital is held to provide a cushion for unexpected losses. The Board sets the internal level of capital with the aim of ensuring minimum regulatory capital levels are always exceeded whilst allowing for growth in the business.

Basel III superseded Basel II and took effect on January 1, 2015 with transitional arrangements until full implementation in 2019. The three pillar framework of Basel II is unchanged but there have been changes to the detailed requirements within each pillar. Pillar 3 has more detailed disclosure requirements and will adopt generic templates over the course of the transition to allow improved comparability and transparency between institutions covered by Basel accords.

50. Financial Risk Management (Continued)

(f) Capital management (continued)

(iv) Clarien Bank Limited (continued)

The key elements of Basel III changes to capital requirements are as follows:

- Changes to the definition of capital and the introduction of common equity Tier 1 (CET1). Over the transition period there will be changes and additions to capital deductions from CET1 and Tier 2 capital, including the FVOCI reserve.

- Higher thresholds for all forms of capital will be required with an increased focus on CET1. A capital conservation buffer of 2.5% will be introduced and phased in over the implementation period. Additionally, a capital surcharge for Domestic Systematically Important Banks ('D-SIB') ranging between 0.5% and 3.0% for all Bermuda Banks has also been implemented.

- Introduction of a non-risk based Leverage Ratio, being a measure of Tier 1 capital held against total assets, including certain off-statement of financial position financial commitments.

Clarien has complied with all externally imposed minimum capital requirements throughout the current year.

The new Basel rules also address areas of liquidity. The authority has adopted a Liquidity Coverage Ratio ('LCR') with phased-in implementation consistent with that published by the Basel Committee. The LCR aims to ensure Banks have sufficient stock of unencumbered highly liquid assets to survive a high liquidity stressed scenario lasting 30 days.

The Bank reports its regulatory capital position to the Bermuda Monetary Authority (BMA) on a consolidated legal entity basis each calendar quarter.

50. Financial Risk Management (Continued)

(f) Capital management (continued)

(v) Guardian Holdings Limited

In each country in which the Group operates, the local insurance regulator indicates the required minimum amount and type of capital that must be held by each of the subsidiaries in addition to their insurance liabilities. The Group is also subject to insurance solvency regulations in all the territories in which it issues insurance and investment contracts. The minimum required capital must be maintained at all times throughout the year. The Group monitors these requirements throughout the year to ensure compliance. The Group has complied with these minimum capital requirements.

The Trinidadian trust services subsidiary holds a license under the Financial Institutions Act 2008 and the Securities Industries Act 2012. Under the Financial Institutions Act, the subsidiary is required to have a minimum paid up share capital of $15 million and to transfer a minimum of 10% of its profit after tax to a Statutory Reserve Fund until the balance in the Fund is not less than the paid up capital of the subsidiary as well as the subsidiary's qualifying capital shall be no less than 8% of its risk adjusted assets. Under the Securities Industries Act 2012, the subsidiary is required to have minimum capital of $6 million, of which at least $3 million shall be regulatory capital. The subsidiary has complied with these requirements.

The Trinidadian asset management subsidiary holds a license under the Securities Industries Act 2012, and as such, the subsidiary is required to have a minimum capital of $6 million, of which at least $3 million shall be regulatory capital. The subsidiary has complied with this requirement.

51. 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 and most liquid corporate bonds. 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.

Unquoted equities are carried at cost as the fair value cannot be reliably determined. These securities are classified at level 3.

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51. 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, 2019				
Financial assets				
Investment securities classified as FVOCI				
Government of Jamaica debt securities	-	215,038,729	1,938,660	216,977,389
Other Government Securities	5,447,804	40,633,915	1,998,243	48,079,962
Corporate Debt Securities	5,383,349	25,009,885	84,745,677	115,138,911
	10,831,153	280,682,529	88,682,580	380,196,262
Investment securities at fair value through profit or loss				
Government of Jamaica guaranteed corporate bonds	-	18,086,395	-	18,086,395
Other Government Securities	9,757,657	54,503,445	-	64,261,102
Corporate Debt Securities	3,557,027	15,804,120	5,012,781	24,373,928
Quoted & Unquoted equity securities	56,035,269	1,328,997	4,283,305	61,647,571
Other securities	245,084	351,284	149,707	746,075
	69,595,037	90,074,241	9,445,793	169,115,071
Derivative financial instruments	-	239,279	-	239,279
	80,426,190	370,996,049	98,128,374	549,550,612
Financial liabilities				
Derivative financial instruments	-	239,279	-	239,279
Liabilities under annuity and insurance contracts	-	-	385,395,889	385,395,889
	-	239,279	385,395,889	385,635,168

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51. Fair Values of Financial Instruments (Continued)

	The Group			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
At September 30, 2018				
Financial assets				
Investment securities classified as available-for-sale				
Government of Jamaica debt securities	-	205,933,696	-	205,933,696
Government of Jamaica guaranteed corporate bonds	-	3,552,769	-	3,552,769
Other corporate bonds	-	33,916,199	2,377,968	36,294,167
Foreign government debt securities	-	55,119,954	-	55,119,954
Quoted equity securities	2,066,826	-	-	2,066,826
Unquoted equity securities	-	-	689,427	689,427
Unit trust investments	-	592,323	-	592,323
	2,066,826	299,114,941	3,067,395	304,249,162
Investment securities at fair value through profit or loss				
Government of Jamaica debt securities	-	13,191	-	13,191
Other corporate bonds	-	1,610,197	-	1,610,197
Foreign government debt securities	-	258,954	-	258,954
Quoted equity securities	1,258,201	-	-	1,258,201
Other securities	-	545,025	521	545,546
	1,258,201	2,427,367	521	3,686,089
Derivative financial instruments	-	233,329	-	233,329
	3,325,027	301,775,637	3,067,916	308,168,580
Financial liabilities				
Derivative financial instruments	-	259,002	-	259,002
Liabilities under annuity and insurance contracts	-	-	38,093,007	38,093,007
	-	259,002	38,093,007	38,352,009

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

	The Group	
	2019 $'000	**2018 $'000**
At start of year	3,067,916	2,133,691
On acquisition of GHL	3,265,687	-
Transfer between levels based on adoption of IFRS 9	59,709,796	-
Acquisitions	35,728,198	881,265
Disposals	(4,786,108)	-
Fair value gains	1,137,885	52,960
At end of year	98,128,374	3,067,916

The movement in liabilities under annuity and insurance contracts is disclosed in Note 39.

51. Fair Values of Financial Instruments (Continued)

Sensitivity analysis

The following table summarises the quantitative information about the significant unobservable inputs used in Level 3 fair value measurements.

	2019			
Description	**Unobservable input**	**Range of input**	**Change in basis points**	**Change in fair value $'000**
Other corporate bonds	Risk premium		JMD -100 and USD -50	3,603
			JMD +100 and USD +50	(3,418)

	2018			
Description	**Unobservable input**	**Range of input**	**Change in basis points**	**Change in fair value $'000**
Other corporate bonds	Risk premium		JMD -100 and USD -50	(3,149)
			JMD +100 and USD +100	5,133

The Group's level 3 unquoted equity securities would increase/decrease in value by $162,116,000 (2018 - $103,414,000) should there be a 15% change in the price of these securities.

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 $'000	**Fair Value $'000**
At September 30, 2019	202,449,673	195,815,100
At September 30, 2018	76,949,208	61,359,730

Similar to debt securities classified as FVOCI (2018 - 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.

51. Fair Values of Financial Instruments (Continued)

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.

52. 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, 2019, the Group had financial assets under administration of approximately $211,268,727,000 (2018 –$151,867,021,000).

53. Dividends

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

- $0.70 per ordinary stock unit was paid in December 2018
- $0.90 per ordinary stock unit was paid in February 2019
- $0.90 per ordinary stock unit was paid in May 2019
- $0.90 per ordinary stock unit was paid in August 2019

On November 7, 2019, the Board declared a final interim dividend in respect of 2019 of $0.90 per ordinary stock unit. The dividend is payable on December 06, 2019 for stockholders on record as at November 22, 2019. The financial statements for the year ended September 30, 2019 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, 2020.

54. Business Combination and Disposal of Subsidiary

GHL

In May 2019, the Group acquired an additional 31.99% stake in GHL. GHL is an integrated financial services company with a focus on life, health, property, casualty insurance, pensions and asset management, based in Trinidad & Tobago. The rationale for the transaction was to expand the Group regionally to drive continued growth and shareholder value through a broader range of services and markets across the region.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Purchase consideration	**$'000**
Cash Paid	28,100,754
Fair value of initial 29.99% as at acquisition date	32,585,000
	60,685,754

54. Business Combination and Disposal of Subsidiary (Continued)

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value $'000
Due from other banks	44,746,117
Loans and advances	16,219,981
Investment in securities	432,227,411
Investment in associates	4,705,470
Investment properties	29,201,380
Intangible assets	16,485,761
Property, plant and equipment	11,916,628
Reinsurance asset	28,901,209
Other assets	6,220,461
Insurance contracts	(345,450,234)
Other borrowed funds	(50,063,697)
Investment contract liabilities	(39,395,293)
Third party interest in mutual funds	(21,379,700)
Deferred taxation liabilities	(13,333,207)
Segregated fund liabilities	(16,549,531)
Other liabilities	(29,123,078)
Net identifiable assets acquired	75,329,678
Less: non-controlling interests	(29,069,702)
Net Assets acquired	46,259,977
Cash consideration	(60,685,754)
Goodwill	(14,425,777)

(a) Summary of acquisition

(i) Accounting policy choice for non-controlling interests

The Group recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For the non-controlling interest's interests in GHL, the Group elected to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets. See Note 2 for the Group's accounting policies for business combinations.

(ii) Revenue and profit contribution

The acquired business contributed revenues of $ 65,497,188,000 and net profit of $4,970,000,000 (after consolidation adjustments) to the Group for the period from May 1, 2019 to September 30, 2019.

If the acquisition had occurred on October 1, 2018, consolidated pro-forma revenue and profit for the year ended September 30, 2019 would have been $156,000,000,000 and $11,900,000,000, respectively.

54. Business Combination and Disposal of Subsidiary (Continued)

(b) Purchase consideration - cash outflow

Outflow of cash to acquire subsidiary, net of cash acquired	**$'000**
Cash consideration	28,100,754
Less: Balance acquired	
Cash	(44,746,117)
Net inflow of cash - Investing activities	(16,645,363)

(c) Acquisition-related costs

Acquisition-related costs of US$2.6 million are included in administrative expenses in the income statement and in operating cash flows in the statement of cash flows.

(d) Provisionally determined values within the PPA

IFRS 3 allows one year from the date of acquisition (referred to as the measurement period) to finalise the purchase accounting for business combinations and therefore also allows for provisionally determined amounts to be included in the financial statements. To the extent that the finalisation of the purchase accounting results in a change, these will be adjusted in the subsequent financial statements, as a prior period adjustment to goodwill. Items within these financial statements for which there is provisional determination of values include:

- Certain items of property, plant and equipment
- Investment in associated company
- Insurance contracts
- Other borrowed funds
- Allocation of goodwill to CGUs

Clarien Group Limited

In December 2017, the Group acquired a 50.1% majority stake in Clarien Group Limited (CGL), owner of Clarien Bank Limited, a licenced commercial bank, based in Hamilton, Bermuda. The rationale for the transaction was to gain access to a group of customers that the Group would not have otherwise had access to or would have been assumed by competitors.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Purchase consideration	**$'000**
Cash paid	4,153,226

54. Business Combination and Disposal of Subsidiary (Continued)

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value $'000
Cash in hand and balances at Central Bank	2,542,765
Due from banks	3,433,031
Loan and advances, net of provision for credit losses	92,612,894
Investment in securities classified as available-for-sale and loans and receivables	44,115,649
Investment properties	507,409
Property, plant and equipment	2,079,856
Intangible assets	5,061,912
Other assets	634,945
Customer deposits	(133,419,320)
Other liabilities	(512,443)
Net identifiable assets acquired	17,056,698
Less: non-controlling interests	(8,511,323)
Net Assets acquired	8,545,375
Cash consideration	(4,153,226)
Negative goodwill	4,392,149

(b) Summary of acquisition

(iii) Accounting policy choice for non-controlling interests

The Group recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For the non-controlling interests in CGL, the group elected to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets. See Note 2 for the Group's accounting policies for business combinations.

54. Business Combination and Disposal of Subsidiary (Continued)

(a) Summary of acquisition (Continued)

(iv) Revenue and profit contribution
The acquired business contributed revenues of $7,424,523,000 and net profit of $1,246,923,000 to the Group for the period from December 13, 2018 to September 30, 2019.

If the acquisition had occurred on October 1, 2018, consolidated pro-forma revenue and profit for the year ended September 30, 2019 would have been $10,100,717,000 and $1,918,240,000 respectively.

(b) Purchase consideration - cash outflow

Outflow of cash to acquire subsidiary, net of cash acquired	**$'000**
Cash consideration	4,153,226
Less: Balance acquired	
Cash	5,975,796
Net inflow of cash - Investing activities	(1,822,570)

(c) Acquisition-related costs

Acquisition-related costs of $15.53 Million are included in administrative expenses in the income statement and in operating cash flows in the statement of cash flows.

(d) Bargain purchase

The acquisition resulted in a negative goodwill of $4.39 billion an offer was made at a discount to book value after taking into account the Bermudan economy, the company's loan portfolio, real estate market and additional capital requirements imposed by the Bermuda Monetary Authority.

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54. Business Combination and Disposal of Subsidiary (Continued)

Advantage General Insurance Company Limited

NCB Capital Markets Limited, a subsidiary of National Commercial Bank Jamaica Limited entered into an agreement to dispose of its 100% stake in Advantage General Insurance Company Limited. The transaction was finalised on September 30, 2019 for a consideration of US$50,500,000, approximately JMD$6,800,000,000. Below is a summarised income statement and balance representing the net profit contribution for the financial year and the net assets sold:

(a) Income statement

	$'000
Net underwriting income	4,885,418
Policyholders' and annuitants' benefit & reserves	(3,023,301)
Net commission & other selling expenses	(88,451)
Net results from insurance activities	1,773,666
Other income	686,541
Total other operating income	2,460,207
Staff & operating expenses	1,667,865
Profit before taxation	792,342
Taxation	(231,526)
Net profit	560,816

(b) Statement of financial position

	$'000
Cash & bank balances	186,227
Investment securities	8,345,735
Investment properties	734,797
Property, plant, equipment & intangible assets	1,167,080
Other assets	2,594,689
Total assets	13,028,528
Liabilities under annuity and insurance contracts	6,559,758
Other liabilities	2,336,587
Total liabilities	8,896,345
Net Assets	4,132,183

54. Business Combination and Disposal of Subsidiary (Continued)

Advantage General Insurance Company Limited (continued)

(c) Gain on Disposal

	$'000
Proceeds, net of transaction costs	6,651,806
Net assets	4,132,183
OCI gain recycled to income statement	(581,126)
Unamortised intangibles and other consolidated adjustments	474,324
Adjusted carrying value	4,025,381
Gain on disposal	2,626,425

(d) Purchase consideration - cash inflow

Inflow of cash to sell subsidiary, net of cash disposed	$'000
Cash consideration	6,651,806
Less: Balance relieved	
Cash	(186,227)
Net Inflow of cash - Investing activities	6,465,579

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55. Non-Controlling Interest

The table below shows the summarised financial information for Clarien Group Limited that has non-controlling interest:

Statement of financial position	**2019**	**2018**
	$'000	**$'000**
Total assets	162,691,201	169,058,839
Total liabilities	(142,715,964)	(152,633,701)
Net assets	19,975,237	16,425,138
Non-controlling interest	9,967,643	9,543,760
Statement of comprehensive income		
Revenue	11,135,614	7,424,523
Direct profit for the period	1,195,591	1,246,922
Consolidation adjustments	(1,017,483)	-
Other comprehensive income	746,617	822,089
Total comprehensive income	924,725	2,069,011
Profit allocated to non-controlling interest	88,876	622,214
Other comprehensive income allocated to non-controlling interest	372,562	410,223
Accumulated non-controlling interest	461,438	1,032,437

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55. Non-Controlling Interest

The table below shows the summarised financial information for Guardian Holding Limited that has non-controlling interest:

Statement of financial position	**2019**
	$'000
Total assets	662,042,554
Total liabilities	(582,671,915)
Net assets	79,370,639
Non-controlling interest	29,768,949
Statement of comprehensive income	
Revenue	65,497,188
Direct profit for the period	5,399,702
Consolidation adjustments	(2,842,942)
Other comprehensive income	269,365
Total comprehensive income	2,826,125
Profit allocated to non-controlling interest	1,026,726
Dividend paid	(415,705)
Other comprehensive income allocated to non-controlling interest	88,226
Accumulated non-controlling interest	619,247

56. Reconciliation of Liabilities arising from Financial Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash. Financing activities represent bank and other loans, excluding bank overdrafts and amounts included as cash and cash equivalents:

	The Group		
	Other borrowed funds	**Obligation under securitisation arrangements**	**Total**
Liabilities	**$'000**	**$'000**	**$'000**
At 01 October 2017	38,649,556	66,743,350	105,392,906
Cash movements -			
Drawdowns	56,633,130	-	56,633,130
Repayment - principal	(32,510,524)	(8,605,600)	(41,116,124)
Non-cash movements -			
Amortisation of upfront fees	-	228,978	228,978
Foreign exchange adjustments	2,410,343	700,599	3,110,942
Interest payable	376,134	(74,661)	301,473
At 01 October 2018	65,558,639	58,992,666	124,551,305
Cash movements -			
Drawdowns	47,136,182	-	47,136,182
Repayment - principal	(38,267,911)	(8,798,148)	(47,066,059)
Non-cash movements -			
On acquisition on subsidiary	50,063,697	-	50,063,697
Amortisation of upfront fees	(137,873)	157,227	19,354
Foreign exchange adjustments	(520,975)	(1,940,791)	(2,461,766)
Interest payable	1,121,342	(105,131)	1,016,211
At 30 September 2019	124,953,101	48,305,823	173,258,924

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56. Reconciliation of Liabilities arising from Financial Activities (Continued)

	The Company		
Liabilities	**Other borrowed funds $'000**	**Obligation under securitisation arrangements $'000**	**Total $'000**
At 01 October 2017	40,359,048	-	40,359,048
Cash movements -			
Drawdowns	29,860,974	-	29,860,974
Repayment	(12,669,825)	-	(12,669,825)
Non-cash movements -			
Foreign exchange adjustments	2,178,899	-	2,178,899
Amortisation of upfront fees	(38,598)	-	(38,598)
Interest payable	459,210	-	459,210
At 01 October 2018	60,149,078	-	60,149,078
Cash movements -			
Drawdowns	52,971,268	-	52,971,268
Repayment	(37,020,669)	-	(37,020,669)
Non-cash movements -			
Foreign exchange adjustments	48,182	-	48,182
Amortisation of upfront fees	(164,404)	-	(164,404)
Interest payable	244,015		244,015
At 30 September 2019	76,227,470	-	76,227,470

57. Litigation and Contingent Liabilities

The Group is 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 without merit and can be successfully defended.

Significant matters are as follows, all relating to NCB Jamaica Limited:

(a) Suit has been filed by the NCB 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. In 2018, the Supreme Court decided in favor of the NCB Staff Association. The Bank filed an appeal against the judgment. The appeal was heard for 3 days in June 2019 at the end of which the Court of Appeal reserved its judgment. Provision for the claim 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.

(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. No provision has been made in the financial statements for this claim as the Bank's attorneys are of the opinion that the claim is unlikely to succeed.

(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 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 favor, 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. However, in the light of a recent decision of the Court of Appeal, the claimant has applied to vacate the judgment of the Supreme Court as the Judge who delivered the judgment did so after he retired from the Supreme Court. Having heard the claimant's application the Court of Appeal has ordered that the matter be referred to the Supreme Court for re-trial.

A number of other suits have been filed by customers of the Group. In some instances counter claims have been filed by the Group. Provision has been made in the financial statements for certain of these claims. No provision has been made where the Group's attorneys are of the view that the Group has a good defense against these claims.

58. Changes in Accounting Policies

(a) Impact on financial statements

The Group has adopted IFRS 9 for the financial year ending September 30, 2019 which resulted in a change in the Group's accounting policies. IFRS 9 was adopted without restating comparative information. The reclassifications and adjustments arising from the implementation of IFRS 9 are therefore not reflected in the balance sheet at September 30, 2018, but are recognised in the opening statement of financial position on October 1, 2018.

The following table shows the adjustment recognised for each individual line item for the consolidated and company statement of financial position.

Consolidated Statement of Financial Position

	September 30, 2018 as originally presented	Transition adjustment- IFRS 9	As at October 1, 2018
	$'000	$'000	$'000
ASSETS			
Cash in hand and balances and bank at Central Banks	74,711,396	-	74,711,396
Due from banks	48,702,014	(304)	48,701,710
Derivative financial instruments	233,329	(233,329)	-
Investment securities at fair value through profit or loss	2,540,013	14,743,276	17,283,289
Reverse repurchase agreements	3,807,177	(581)	3,806,596
Loans and advances, net of provision for credit losses	372,634,701	(341,300)	372,293,401
Investment securities	211,903,094	(211,903,094)	-
Investment securities at FVOCI and amortised cost	-	197,875,281	197,875,281
Pledged assets	176,910,304	-	176,910,304
Investment in associates	35,125,894	(1,340,904)	33,784,990
Investment properties	1,366,950	-	1,366,950
Intangible assets	12,398,591	-	12,398,591
Property, plant and equipment	13,280,060	-	13,280,060
Deferred income tax assets	4,639,482	(279,229)	4,360,254
Income tax recoverable	1,613,365	-	1,613,365
Customers' liability – letters of credit and undertaking	2,305,130	-	2,305,130
Other assets	16,413,126	-	16,413,126
	978,584,626	(1,480,183)	977,104,443

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58. Changes in Accounting Policies (Continued)

Consolidated Statement of Financial Position (continued)

	September 30, 2018 as originally presented	Transition adjustment - IFRS 9	As at October 1, 2018
	$'000	$'000	$'000
STOCKHOLDERS' EQUITY AND LIABILITIES:			
LIABILITIES			
Due to banks	11,815,200	-	11,815,200
Customer deposits	484,847,790	-	484,847,790
Repurchase agreements	152,884,626	-	152,884,626
Obligations under securitisation arrangements	58,992,666	-	58,992,666
Derivative financial instruments	259,002	-	259,002
Other borrowed funds	65,558,639	-	65,558,639
Deferred income tax liabilities	910,710	346,067	1,256,777
Liabilities under annuity and insurance contracts	38,093,007	-	38,093,007
Post-employment benefit obligations	5,502,973	-	5,502,973
Liability – letters of credit and undertaking	2,305,130	-	2,305,130
Other liabilities	17,830,555	-	17,830,555
	839,000,298	**348,362**	**839,348,660**
SHAREHOLDERS EQUITY			
Share capital	153,827,330	-	153,827,330
Treasury shares	(1,050,785)	-	(1,050,785)
Reserves from scheme of arrangement	(147,034,858)	-	(147,034,858)
Fair value and capital reserves	3,535,115	1,914,494	5,449,609
Loan loss reserve	3,470,490	(245,692)	3,224,798
Banking reserve fund	6,598,442	-	6,598,442
Retained earnings reserve	39,250,000	-	39,250,000
Retained earnings	71,444,834	(3,457,496)	67,987,338
Equity attributable to stockholders of the parent	130,040,568	(1,788,694)	128,251,874
Non-controlling interest	9,543,760	(37,556)	9,506,204
Total stockholders' equity	139,584,328	(1,826,250)	137,758,078
Total stockholders' equity and liabilities	**978,584,626**	**(1,480,183)**	**977,104,443**

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Notes to the Financial Statements
September 30, 2019
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58. Changes in Accounting Policies (Continued)

Consolidated Statement of Financial Position (continued)

(a) Reconciliation of financial assets balances from IAS 39 to IFRS 9

The following tables reconcile the carrying amounts of financial investments, from their previous measurement category in accordance with IAS 39 as of September 30, 2018 to their new measurement categories upon transition to IFRS 9 as at October 1, 2018.

	The Group			
	IAS 39 carrying amount 30 September, 2018 $'000	**Reclassifications**	**Remeasure-ments**	**IFRS 9 carrying amount 1 October 2018 $'000**
FINANCIAL ASSETS AT AMORTISED COST:				
Debt securities				
Opening balance under IAS 39	76,949,208	-	-	76,949,208
Subtraction to FVOCI- (IFRS 9)	-	(34,367,072)	-	(34,367,072)
Subtraction to FVPL – (IFRS 9)	-	(1,598,216)	-	(1,598,216)
Re-measurement: ECL allowance	-	-	469,246	469,246
Closing balance under IFRS 9	76,949,208	(35,965,288)	469,246	41,453,166
Interest receivable	474,772	(179,114)	-	295,658
Total debt securities	**77,423,980**	**(36,144,402)**	**469,246**	**41,748,824**
Loans and advances				
Opening balance under IAS 39	372,634,701	-	-	372,634,701
Re-measurement: ECL allowance	-	-	(341,300)	(341,300)
Closing balance under IFRS 9	372,634,701	-	(341,300)	372,293,401
Reverse repurchase agreements				
Opening balance under IAS 39	3,803,642	-	-	3,803,642
Re-measurement: ECL allowance	-	-	(581)	(581)
Closing balance under IFRS 9	3,803,642	-	(581)	3,806,596
Interest receivable	3,535	-	-	3,535
Total reverse repurchase agreement	**3,807,177**	**-**	**-**	**3,810,131**
Due from banks				
Opening balance under IAS 39	48,702,014	-	-	48,702,014
Re-measurement: ECL allowance	-	-	(304)	(304)
Closing balance under IFRS 9	48,702,014	-	-	48,701,710
Total financial assets measured at amortised cost	503,020,988	(35,965,288)	126,365	467,182,064

58. Changes in Accounting Policies (Continued)

(b) Reconciliation of financial investment balances from IAS 39 to IFRS 9 (continued)

	The Group			
	IAS 39 carrying amount 30 September, 2018 $'000	Reclassifications	Remeasure-ments	IFRS 9 carrying amount 1 October, 2018 $'000
FINANCIAL INVESTMENTS AT FVOCI:				
Debt securities				
Opening balance: Available for sale under IAS 39	300,900,586	-	-	300,900,586
Subtraction to FVPL – (IFRS 9)	-	(9,549,266)		(9,549,266)
Addition from Amortised Cost	-	34,367,072	-	34,367,072
Closing balance under IFRS 9	300,900,586	24,817,806	-	325,718,392
Equity securities				
Opening balance: Available for sale under IAS 39	3,348,576	-	-	3,348,576
Subtraction: To FVTPL (IFRS 9)	-	(3,348,576)	-	(3,348,576)
Closing balance under IFRS 9	3,348,576	(3,348,576)		-
Total financial investments measured at FVOCI	304,249,162	21,469,230	-	325,718,392
Interest receivable	4,121,889	(36,989)	-	4,084,900
Total FVOCI	308,371,051	21,432,241	-	329,803,292

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58. Changes in Accounting Policies (Continued)

(b) Reconciliation of financial investment balances from IAS 39 to IFRS 9 (continued)

	The Group			
	IAS 39 carrying amount 30 September 2018 $'000	**Reclassifications**	**Remeasurements**	**IFRS 9 carrying amount 1 October 2018 $'000**
FINANCIAL INVESTMENTS AT FVTPL:				
Debt securities				
Opening balance under IAS 39 and Closing balance under IFRS 9	2,427,888	11,147,482	123,609	13,698,979
Equity securities				
Opening balance under IAS 39	1,258,201	-	-	1,258,201
Addition: From available for sale (IAS 39)	-	3,348,576	-	3,348,576
Closing balance under IFRS 9	1,258,201	3,348,576	-	4,606,777
Financial investments at FVPL	3,686,089	14,496,058	123,609	18,305,756
Interest receivable	8,924	216,103	-	225,027
Total financial investments at FVPL	3,695,013	14,712,161	123,609	18,530,783
Derivative financial instruments				
Opening balance under IAS 39 and Closing balance under IFRS 9	233,239	(233,239)	-	-
Total financial investments measured at FVTPL	3,928,252	14,262,819	123,609	18,314,680

NCB Financial Group Limited

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58. Changes in Accounting Policies (Continued)

(a) Reconciliation of impairment allowance balances from IAS 39 to IFRS 9

The following tables reconcile the prior period's closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at October 1, 2018.

	The Group			
	Impairment allowance under IAS 39 at September 30, 2018 $'000	**Reclassifi cations**	**Remeasure-ments**	**Impairment allowance under IFRS 9 at October 1, 2018 $'000**
Loans and receivables (IAS 39)/Financial assets at amortised cost (IFRS 9)				
Loans and advances, commitments and guarantees	8,260,943	-	341,300	8,602,243
Reverse repurchase agreements	-	-	581	581
Due from banks	-	-	304	304
Total	8,260,943	-	342,185	8,603,128
AFS financial instruments (IAS 39)/ Financial assets at FVOCI and amortised cost (IFRS 9)				
Debt securities	283,883	(283,883)	3,097,868	3,097,868
Total	8,544,826	(283,883)	3,440,053	11,700,996

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58. Changes in Accounting Policies (Continued)

The total impact on the Group's and Company's retained earnings as at 1 October 2018 is as follows:

	The Group
	2018
	$'000
Closing retained earnings 30 September 2018 - IAS 39	**71,444,834**
Reclassify investments from available-for-sale to FVPL	924,774
Increase in provision for loans and advances	(341,300)
Increase in provision for debt investments at amortised cost and FVOCI	(3,325,337)
Share of associates	(894,316)
Reduction of deferred tax liabilities	178,683
Adjustment to retained earnings from adoption of IFRS 9 on 1 October 2018	(3,457,496)
Opening retained earnings 1 October 2018	**67,987,338**

	The Company
	2018
	$'000
Closing retained earnings 30 September 2018 - IAS 39	**916,119**
Reclassify investments from available-for-sale to FVPL	-
Increase in provision for loans and advances	-
Increase in provision for debt investments at amortised cost	-
Increase in provision for debt investments at FVOCI	-
Increase in deferred tax assets relating to impairment provisions	-
Reduction of deferred tax liabilities	-
Adjustment to retained earnings from adoption of IFRS 9 on 1 October 2018	-
Opening retained earnings 1 October 2018	**916,119**