Annual Report 2019

NCB FINANCIAL GROUP LIMITED

Over the past 182 years, we have been on a journey of continuous improvement as we work to create increasing value for our stakeholders. Throughout our evolution, our driving force remains unchanged – delighting our customers and ensuring that each understands how important they are to us. They inspire us to become more for them and aspire to further greatness. Our aspiration for FY2024 is to become a world-class Caribbean financial ecosystem and we remain steadfast in becoming

faster >> simpler >> stronger

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Vision

To be the premier Caribbean financial services group delivering superior products and services to satisfy the needs of our customers, while developing our employees and building the communities we serve.

Brand Pillars

Innovation

We are constantly striving to improve the financial solutions we offer, in order to meet the changing needs of our customers. We also drive innovation in our operations by using technology as a key enabler of greater efficiency and better service delivery.

Expertise

NCBFG professionals possess expert knowledge in their respective areas of our business. Equally important, we foster superior customer relationship management skills that engender trust and loyalty with those we serve.

Strength

Sound and prudent management are hallmarks of sustainability for the Group. We carry out our business within a framework that observes proper ethical, regulatory and financial practices, while embracing our role as a responsible corporate citizen.

Core Values

Stakeholder Value

We hold a deep and abiding respect for each customer, every colleague in our companies, and all our shareholders.

Customer Experience

We commit to finding new, practical and innovative ways to make the term “excellent service” more relevant to each customer – every day.

People Development

We commit to the relentless renewal of our enterprise through the constant training of our people at all levels.

Reward & Recognition

In our merit-based culture, individual reward and recognition will be a result of measured performance.

Fair Competition

We treat all competitors as noble, but we will compete fairly and vigorously to win.

Notice of Annual General Meeting

NOTICE is hereby given that the Annual General Meeting of NCB FINANCIAL GROUP LIMITED will be held at the **Spanish Court Hotel, Room Valencia T/L, 16 Worthington Avenue, Kingston 10, in the parish of Saint Andrew on January 31, 2020, to start at 10:00 a.m.** to consider and if thought fit pass the following resolutions:

ORDINARY BUSINESS

Ordinary Resolutions

1. **Audited Accounts**

   "**THAT** the Audited Accounts for the year ended September 30, 2019 and the Reports of the Directors and Auditors, circulated with the Notice convening the Meeting, be and are hereby adopted."

2. **Declaration of Dividend**

   "**THAT** the interim dividends per stock unit of $0.90 paid in February 2019, $0.90 paid in May 2019, $0.90 paid in August 2019, and $0.90 paid in December 2019 be treated on the recommendation of the Directors as the final dividend for the financial year ended September 30, 2019."

3. **Election of Directors**

   Article 94 of the Company's Articles of Incorporation provides that one-third of the Board other than the Managing Director (that is, our President and Group Chief Executive Officer) and Deputy Managing Director (that is, our Group Chief Financial Officer and Deputy Chief Executive Officer) or, if the number of members of the board is not three or a multiple of three, then the number nearest to one-third shall retire from office at each Annual General Meeting. The Directors retiring under this Article are **Mrs Thalia Lyn** and **Mr Oliver Mitchell Jr.** of whom Mrs Lyn, being eligible, offers herself for re-election.

The proposed resolution is therefore as follows:

"**THAT** Director, **Mrs Thalia Lyn, OD,** retiring pursuant to Article 94 of the Articles of Incorporation be and is hereby re-elected."

4. **Directors' Remuneration**

   a) "**THAT** the Directors be and are hereby empowered to fix the remuneration of the Executive Directors."

   b) "**THAT** the total remuneration of all of the Directors combined, other than the Executive Directors, for the financial year of the Company ending September 30, 2020, BE AND IS HEREBY fixed at $27,000,000, which remuneration may include such share incentive scheme for directors as may be determined by the Board.

5. **Appointment of Auditors and their Remuneration**

   "**THAT** PricewaterhouseCoopers, having signified their willingness to serve, be appointed as Auditors of the Company until the conclusion of the next Annual General Meeting, at a remuneration to be agreed with the Directors."

6. **Resolutions in respect of any other business which can be transacted at an Annual General Meeting.**

A Member of the Company, entitled to attend and vote, is entitled to appoint a Proxy to attend and vote in his/her stead, and a Proxy need not be a member.

If you are unable to attend the Meeting, a Form of Proxy is enclosed for your convenience. When completed, this Form should be deposited with the Secretary, at the Registered Office of the Company, "The Atrium", 32 Trafalgar Road, Kingston 10, Jamaica, not less than **48 hours** before the time appointed for the Meeting. The Proxy Form should bear stamp duty of **$100.00**, before being signed. The stamp duty may be paid by adhesive stamps, which are to be cancelled by the person signing the Proxy.

DATED this 27th day of **December, 2019**

BY ORDER OF THE BOARD

DAVE L. GARCIA
CORPORATE SECRETARY

Our Business in Brief

Mission NCB 2.0 has taken the Group on a journey of improvement, digitisation and unprecedented dedication to service.

NCB Financial Group, as a longstanding leader in the financial services industry, continues to transform into a world-class Caribbean financial ecosystem, offering stakeholders exceptional experiences at every touch point. Leveraging our brand pillars of innovation, expertise and strength, the NCB Financial Group has soared to become the largest financial group in Jamaica and is a leading financial conglomerate in the Caribbean. The Group remains fervent in our bid to become faster, simpler and stronger and we are steadfast in our drive to become the region's financial services provider of choice, employer of choice and a leading corporate citizen, building the communities we serve.

NCB Financial Group Limited ("NCBFG") is the financial holding company of the Group, incorporated in April 2016. NCBFG has roots that trace as far back as 1837 and remains the largest and most profitable financial services provider in Jamaica. The Group is comprised of National Commercial Bank Jamaica Limited (NCBJ) and its subsidiaries, Clarien Group Limited (Clarien) and its subsidiaries and NCB Global Holdings Limited majority owner of Guardian Holdings Limited (GHL) and its subsidiaries. NCBFG is proud to be a regional entity with presence in 21 territories in the English and Dutch Caribbean as well as in the United Kingdom.

NCB FINANCIAL GROUP LIMITED

NATIONAL COMMERCIAL BANK JAMAICA LIMITED

NCBJ and its subsidiaries provide an expansive range of products and services aimed at meeting all the commercial banking, wealth, asset management and life insurance needs of customers primarily in Jamaica, the Cayman Islands, Barbados and Trinidad & Tobago. Products and services offered include deposits, loans, credit cards, overdraft lines, foreign exchange, personal & private banking services, stock brokerage services, investment management, individual and group pensions. The main subsidiaries are NCB Capital Markets Limited and NCB Insurance Company Limited. NCBJ boasts over 37 locations, more than 300 ABMs and kiosks and in excess of 8,000 merchant locations. NCBJ's upgraded online banking platform is available at www.jncb.com.

CLARIEN

Clarien Bank Limited and its subsidiaries provide personal, commercial and private banking services as well as investment, wealth management and trust services to our clients based in Bermuda. It is proudly one of the largest independent, privately-owned integrated financial services organisations in Bermuda. Clarien also offers a full range of wealth management services centred on wealth creation, preservation and income generating needs delivered in a personalised and bespoke manner through Clarien Investments Limited and customised trust and fiduciary services through Clarien Trust Limited.

Guardian Group

GHL is the parent company for an integrated financial services group known as the Guardian Group, with a focus on life, health, property and casualty insurance, pensions and asset management. The Group has grown steadily and currently serves markets in 21 countries across the English and Dutch Caribbean, including Trinidad & Tobago, Barbados, Jamaica, Curacao, Aruba, St. Maarten and Bonaire. Guardian Group's products and services are marketed throughout the Eastern Caribbean, the Bahamas, Cayman Islands, the US Virgin Islands and Belize.

Our Strategic Priorities

Our 2020 Group aspiration focuses on
THREE BUSINESS PRIORITIES
driven by **SIX INITIATIVES**

NCB 2.0 by 2020:
Faster | Simpler | Stronger

Our Awards

This has been a very productive year and we have undertaken a number of initiatives to drive efficiency and growth within our business. We adhere to the best practices and have been honoured with a number of premier awards within the region as well as globally. We thank all our stakeholders for their commitment to excellence and dedication to driving the successes confirmed by these awards.

JSE MAIN MARKET AWARDS - 2018

Awarded to NCB Financial Group Limited

GOVERNOR GENERAL'S AWARD FOR EXCELLENCE
1st Place

JSE/PSOJ CORPORATE GOVERNANCE AWARD
1st Place

BEST PRACTICES - ANNUAL REPORT AWARD
1st runner up

BEST PRACTICES - CORPORATE DISCLOSURE & INVESTOR RELATIONS AWARD
1st runner up

BEST PRACTICES WEBSITE AWARD
2nd runner up

JSE MEMBER DEALER AWARDS - 2018

Awarded to NCB Capital Markets Limited

JSE'S CHAIRMAN AWARD FOR TOP MEMBER DEALER
1st Place

REVENUE GENERATION & MARKET ACTIVITY
1st Place

EXPANSION OF INVESTORS & LISTED COMPANIES BASE
2nd runner up

International Awards awarded to National Commercial Bank Jamaica Limited

THE BANKER

BANK OF THE YEAR (JAMAICA) 2019

INTERNATIONAL BUSINESS

BEST MOBILE BANKING APP 2019

BEST INVESTMENT BANK IN THE CARIBBEAN 2019

MOST INNOVATIVE BANK IN THE CARIBBEAN 2019

GLOBAL FINANCE

BEST BANK AWARD 2019

BEST PRIVATE BANK 2019

SAFEST BANK JAMAICA 2019

BEST FX BANK 2020

LATIN FINANCE

BANK OF THE YEAR 2019 (JAMAICA)

Performance

$30B

Net Profit
attributable to shareholders of the company

$423
Net Loans
$'Billions

Assets
$1 TRIL

$171B
Gross Income

83.84%
Net Loans to Customer Deposit Ratio

$91
Operating Income
$'Billions

$505
Customer Deposits
$'Billions

Caribbean Ranking Extract

CRITERIA	RANK
Pre-Tax Profits	2
Total Assets	7
Return on Assets	6
Teir 1 Capital	12
Return on Equity	1

TheBankerDatabase.com

$385
Liabilities Under Annuity & Insurance Contracts
$'Billions

3.40
Dividends Declared
per SHARE ($)

Highlights 2019

.6
LION

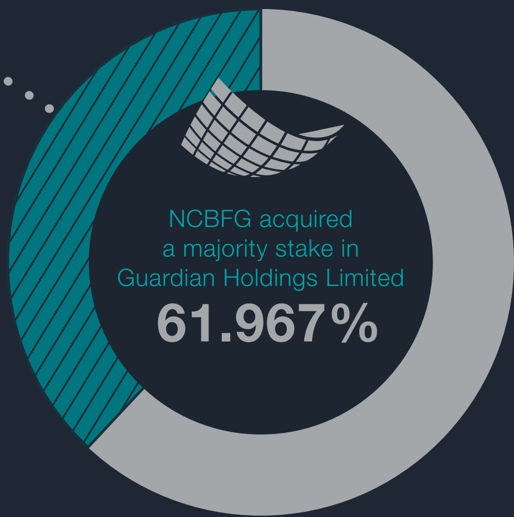
Stockholders' Equity
attributable to shareholders of the company

NCBFG Credit Rating | CariCRIS*

ISSUER/CORPORATE CREDIT RATING	LOCAL CURRENCY	FOREIGN CURRENCY	OUTLOOK
Regional Scale	CariA+	CariA	Stable
National Scale	jmAAA	jmAA+	

*Caribbean Information and Credit Ratings Services Limited

Regional Expansion



70%
Total Shareholder Return

Closing Share Price

INDEX	2018	2019
JSE Prices	124.52	208.79
TTSE Prices	5.73	10.44

322
ABM & Financial Kisoks

74,174
Total Learning Hours

Mission | NCB Corporate Learning Campus

Delivering next-in-class
learning for sustainablility.

Business Highlights 2019

A Vernon James – CEO, NCBIC (left) greets Peter Young (right) at the Traders Lyme while Peter Higgins - AGM, Treasury and Correspondent Banking Division looks on. B Tanya Watson Francis - Head of Treasury and Correspondent Banking strikes a pose with the Correspondent Banking team from Bank of America, who were guests at the Annual Traders Lyme. C Desmond Johnson - Head - Pensions, Client Management and Business Development, NCBIC (left) and Kirk Palmer - Business Development Officer, NCBIC chat with Vaughn McDonald - Head of Department – Employee Relations, JPSCo. They were in attendance at the NCBIC Group Line mingle held at Devon House East Lawns. D New Fortress Energy (NFE) Chief Financial Officer Chris Guinta (left) and his colleagues NFE consultant Norman Davis (second left), Verona Carter – Vice President, Public Affairs exchange ideas with NCB Capital Markets Vice President – Investment Banking Herbert Hall ahead of a business meeting with the company. The meeting, held at the Jamaica Pegasus, was attended by select members of the broker community and positioned the investment opportunity which raised US$180M. E NCB team members and customers have a light chat over breakfast at the NCB Wellness & Recreation Centre in celebration of International Women's Day. F Clarien Bank team and representatives from the Flora Fund strike a pose. This year Clarien Bank donated to the fund which was established in May 2018, and was launched by Bermuda's hometown hero Flora Duffy - a multiple ITU women's triathlon champion - in partnership with the Bermuda Community Foundation.

G NCB Capital Markets Limited CEO, Steven Gooden (left) greets Barbadian Prime Minister Mia Mottley ahead of addressing the delegation at the Annual Jamaica Stock Exchange Conference 2019. Also sharing in the moment is JSE Managing Director Marlene Street Forrest (right). H This resident of The Golden Age Home in Franklin Town shares a light-hearted moment with NCB Capital Markets Corporate Wealth Advisor, Jodi-Ann Bonitto who, along with her colleagues, treated the senior citizens to a day of feting and pampering. I Dean Romany - President, Guardian General Insurance Limited and wife, strike a pose with Guitarist Stefan Roach, Singer Olivia Seheult (centre) and her parents at the Art of Guitar Event. J Kerry-Ann McCourty Simmonds - Manager Sales and Consumer Products and ZJ Sparks take a break between interviews on relaunch day for our updated mortgage product. NCB now offers up to 100% financing and interest rates as low as 6.95% K NCB Capital Markets Regional Manager Customer Experience & Channels, Najah Peterkin (left) engages the audience at the inaugural Emerge Summit where she spoke to attendees on financial planning and money management.

10 Year Financial Statistical Review

Consolidated Income Statement Summary (J$'000)

	2019	2018	2017	2016
Net profit	30,692,025	28,580,966	19,107,818	14,448,560
Net profit attributable to the stockholders of the parent	29,576,423	27,958,752	19,107,818	14,448,560
Gross operating income	170,637,181	98,779,947	76,213,792	65,747,306
Operating income	90,565,298	69,614,802	54,336,912	46,936,071
Net interest income	44,595,084	35,144,184	29,759,669	28,123,770
Non-interest income	45,970,214	34,470,618	24,577,243	18,812,301
Credit impairment losses	4,824,734	1,960,638	729,234	612,355
Net result from banking & investment activities	76,133,783	65,817,511	51,096,962	43,423,353
Net result from insurance activities	14,431,515	3,797,291	3,239,950	3,512,718
Operating expenses	64,736,903	43,428,745	33,178,281	28,839,998
Staff costs	32,120,544	23,776,353	16,461,158	13,809,023
Depreciation and amortisation	6,941,434	3,472,372	2,359,274	1,899,414
Taxation expenses	6,280,694	5,407,952	4,901,510	4,479,992

Consolidated Statement of Financial Position Summary (J$'000)

	2019	2018	2017	2016
Total assets	1,610,100,598	978,584,626	693,724,191	607,669,433
Loans and advances, net of provision for credit losses	423,102,600	372,634,701	218,615,226	189,055,786
Investment securities	759,496,006	389,490,044	299,177,288	275,669,541
Statutory reserves with Central Banks	37,316,963	43,575,130	39,022,524	29,832,265
Customer deposits	504,678,536	484,847,790	288,464,013	273,965,888
Liabilities under annuity and insurance contracts	385,395,889	38,093,007	36,185,320	35,282,653
Repurchase agreements	174,619,976	152,884,626	115,586,590	105,974,938
Other borrowed funds	124,953,101	65,558,639	38,649,556	12,061,154
Obligations under securitisation arrangements	48,305,823	58,992,666	66,743,350	47,899,756
Stockholders' equity	187,033,796	139,584,328	115,993,769	103,105,310
Stockholders' equity attributable to the stockholders of the parent	147,297,204	130,040,568	115,993,769	103,105,310

Profitability Ratios (%)

	2019	2018	2017	2016
Return on average stockholders' equity (1)	21.33%	22.73%	17.44%	15.09%
Return on average total assets (2)	2.29%	3.34%	2.94%	2.55%
Income from banking activities to operating income	84.07%	94.55%	94.04%	92.52%
Net result from insurance activities to operating income	15.93%	5.45%	5.96%	7.48%
Effective tax rate (3)	16.99%	15.91%	20.42%	23.67%
Cost to income ratio (4)	67.87%	60.68%	60.25%	60.65%

1. Return on average stockholders' equity is calculated as net profit divided by average stockholders' equity (stockholders' equity at the end of the financial year plus stockholders' equity at the end of the prior financial year, divided by two).
2. Return on average total assets is calculated as net profit divided by average total assets (total assets at the end of the financial year plus total assets at the end of the prior financial year, divided by two).
3. Effective tax rate is calculated as taxation expenses divided by profit before taxation.
4. Cost to income ratio is calculated as staff costs, depreciation, and other operating expenses divided by net operating income.

* The comparative information for previous periods was reclassified, where required, to conform to the 2019 financial statements presentation format to enhance comparability.

	2015	2014	2013	2012	2011	2010
	12,301,790	12,327,120	8,578,858	10,045,862	13,885,301	11,074,798
	12,301,790	12,327,120	8,578,858	10,045,862	13,885,301	11,074,798
	61,158,813	58,067,343	48,999,634	44,413,755	44,772,383	43,023,151
	41,495,517	36,794,886	32,027,321	30,140,837	31,141,273	28,168,807
	25,964,030	24,660,667	23,558,986	21,784,090	21,150,860	20,649,643
	15,531,487	12,134,219	8,468,335	8,356,747	9,990,413	7,519,164
	1,878,923	2,427,034	2,153,396	2,930,589	1,030,884	975,482
	37,854,769	34,418,353	30,975,528	29,887,501	30,650,555	27,954,816
	3,640,748	2,376,533	1,051,793	253,336	490,718	213,991
	25,494,334	22,912,745	27,775,657	17,958,962	15,653,535	14,881,407
	11,942,482	11,523,930	11,226,597	9,755,916	9,240,116	9,252,662
	1,563,551	1,247,403	1,209,971	812,512	580,132	528,333
	4,082,309	3,142,766	2,472,246	3,070,027	3,704,793	2,413,315

	523,815,161	499,345,092	446,575,055	379,435,519	359,618,113	334,970,011
	165,404,606	157,630,000	141,150,312	111,904,854	91,728,138	85,995,102
	275,987,700	264,170,757	234,437,453	210,653,557	204,748,127	200,132,984
	23,247,218	22,833,217	20,392,153	17,727,899	16,068,630	15,084,579
	227,850,985	202,162,392	178,411,021	162,930,350	155,800,401	144,283,158
	34,689,274	34,230,910	33,914,506	25,194,324	23,564,275	20,405,624
	100,004,008	134,690,626	117,377,395	101,890,449	84,075,103	85,292,763
	8,595,313	11,992,819	4,900,592	3,620,012	5,693,957	6,575,623
	44,292,064	13,885,577	10,101,032	2,593,201	14,378,119	20,456,162
	88,394,211	81,846,383	72,516,720	65,895,952	61,977,264	48,807,933
	88,394,211	81,846,383	72,516,720	65,895,952	61,977,264	48,807,933

	14.45%	15.97%	12.40%	15.71%	25.07%	24.66%
	2.40%	2.61%	2.08%	2.72%	4.00%	3.41%
	91.23%	93.54%	96.72%	99.16%	98.42%	99.24%
	8.77%	6.46%	3.28%	0.84%	1.58%	0.76%
	24.92%	20.32%	22.37%	23.41%	21.06%	17.89%
	58.78%	58.42%	81.26%	54.30%	48.66%	51.06%

10 Year Financial Statistical Review

CONTINUED

Stock Unit Information (J$, unless otherwise stated)

	2019	2018	2017	2016
Earnings per stock unit for profit attributable to the stockholders of the company (5)	$12.18	$11.39	$7.76	$5.87
Dividends paid per stock unit	$3.40	$2.70	$2.70	$2.35
Book value per stock unit	$61.47	$52.74	$47.12	$41.89
Closing share price at September 30 - Jamaica Stock Exchange (JSE) (**)	$ 208.79	$ 124.52	$ 87.02	$ 41.55
Closing share price at September 30 - Trinidad & Tobago Stock Exchange (TTSE) (***)	TT$10.44	TT$5.73	TT$5.10	TT$2.60
Price earnings ratio	17.14	10.93	11.21	7.08
Dividends paid [J$'000]	8,368,730	6,660,260	6,660,260	5,796,893
Dividend yield (payment date) [%]	1.63%	2.17%	3.10%	5.66%
Dividend payout ratio (payment date) [%]	27.91%	23.71%	34.79%	40.03%
Total annual shareholder return [%]	70.41%	46.20%	115.93%	58.37%

Asset Quality Ratios (%)

	2019	2018	2017	2016
Non-performing loans as a percentage of gross loans and advances (6)	4.40%	4.84%	2.45%	3.14%
Non-performing loans as a percentage of total assets	1.18%	1.86%	0.78%	0.99%
Non-performing loans as a percentage of equity	12.93%	14.01%	4.67%	5.86%
Total provision for credit losses as a percentage of gross loans and advances	3.04%	2.17%	1.66%	1.97%

Consolidated Statement of Financial Position Ratios (%)

	2019	2018	2017	2016
Loans and advances, net of provision for credit losses, as a percentage of total assets	26.28%	38.08%	31.51%	31.11%
Investment securities as a percentage of total assets	47.17%	39.80%	43.13%	45.37%
Fixed and intangible assets as a percentage of total assets	4.17%	2.62%	2.21%	1.96%
Loans and advances, net of provision for credit losses, as a percentage of customer deposits	83.84%	76.86%	75.79%	69.01%
Equity to total assets	9.15%	13.29%	16.72%	16.97%

Other Statistics

	2019	2018	2017	2016
JSE Index at September 30 (**)	516,042.91	358,320.11	262,729.14	164,482.25
JSE Index annual movement (Twelve months ended September 30) [%] (**)	44.02%	36.38%	59.73%	70.76%
Inflation Rate (Twelve months ended September 30) [%]	3.36%	4.33%	4.61%	1.83%
USD foreign exchange rate at September 30	134.14	134.06	129.20	127.93

5. Earnings per stock unit is calculated as net profit attributable to nstockholders of the parent divided by weighted average shares outstanding for the relevant financial year.
6. Non-performing loans are loans as to which there have been no payments of principal or interest for 90 days or more.

* The comparative information for previous periods was reclassified, where required, to conform to the 2019 financial statements presentation format to enhance comparability.

	2015	2014	2013	2012	2011	2010
	$5.00	$5.01	$3.49	$4.08	$5.64	$4.50
	$2.31	$1.18	$1.11	$1.10	$1.36	$1.90
	$35.91	$33.25	$29.46	$26.77	$25.18	$19.83
	$ 27.72	$ 17.93	$ 18.80	$ 21.83	$ 27.30	$ 17.51
	TT$1.63	TT$1.00	TT$1.13	TT$1.60	TT$2.09	TT$1.50
	5.54	3.58	5.39	5.35	4.84	3.89
	5,698,222	2,910,780	2,738,107	2,713,439	3,354,797	4,686,850
	8.33%	6.58%	5.90%	5.04%	4.98%	10.85%
	46.20%	23.55%	31.81%	26.96%	24.11%	42.23%
	67.48%	1.65%	(8.80%)	(16.01%)	63.68%	49.31%
	5.05%	5.37%	4.84%	7.14%	7.16%	3.45%
	1.63%	1.74%	1.56%	2.18%	1.87%	0.90%
	9.66%	10.62%	9.60%	12.55%	10.87%	6.21%
	2.62%	3.03%	2.25%	4.12%	3.06%	3.41%
	31.58%	31.57%	31.61%	29.49%	25.51%	25.67%
	52.69%	52.90%	52.50%	55.52%	56.93%	59.75%
	2.07%	1.96%	1.85%	1.68%	1.45%	1.34%
	72.59%	77.97%	79.12%	68.68%	58.88%	59.60%
	16.88%	16.39%	16.24%	17.37%	17.23%	14.57%
	96,324.59	72,238.36	84,500.20	87,188.38	91,731.84	83,613.08
	33.34%	(14.51%)	(3.08%)	(4.95%)	9.71%	4.61%
	1.81%	9.03%	10.45%	6.65%	8.05%	11.28%
	118.70	112.53	103.23	89.72	86.12	86.02

* The comparative information for previous periods was reclassified, where required, to conform to the 2019 financial statements presentation format to enhance comparability.

** Source: Jamaica Stock Exchange Monthly Statistics Report

*** Source: Trinidad & Tobago Stock Exchange Monthly Equity Summary Report

Chairman's Message

My Fellow Shareholders,

It has been another exciting year for the NCB Financial Group. On behalf of the Board of Directors, I would like to thank our team, our customers, our partners and our shareholders for your continued contributions and support.

I am proud to see the strides that we have made as an organisation and I am extremely optimistic about the future of the NCB Financial Group.

There are three attributes that we embody as an organisation and a team that I credit for the success that we enjoy.

1. **Purpose Driven –** we recognise and accept our responsibility for positively affecting the lives of our employees, our customers, our shareholders, and the communities we serve. Doing well allows us to do good. Our purpose is to continuously enhance the value we deliver to each and every stakeholder.

2. **Creativity –** we believe there is a solution to every problem. It is because of this mindset that we have been able to think outside the box in order to solve seemingly impossible challenges and have continued to thrive as an organisation for the benefit of our stakeholders.

3. **Perseverance –** we view challenges as opportunities and we view failures as lessons on how to improve. Therefore, we persevere and persist in the face of all challenges, knowing that there is a positive outcome on the other side of each one.

Buoyed by a legacy of over 180 years, the NCB Financial Group is poised for a new phase in the organisation's history. We are moving from being a Jamaican company to a Caribbean conglomerate that aspires to deliver world-class performance and customer experiences. We stand ready to create a Caribbean financial ecosystem that meets the needs of our customers every step of the way as they pursue a fulfilled life. We are energised by this new aspiration and the opportunity it provides for us to continue to live up to our purpose.

WE ARE DEEPLY **GRATEFUL** FOR THE OPPORTUNITY TO CONTINUE TO SERVE EACH STAKEHOLDER. WE LOOK FORWARD TO YOUR CONTINUED SUPPORT AS WE JOURNEY BOLDLY TO NEW HEIGHTS AS AN ORGANISATION.

"I AM PROUD TO SEE THE STRIDES THAT WE HAVE MADE AS AN ORGANISATION AND I AM EXTREMELY OPTIMISTIC ABOUT THE FUTURE OF THE NCB FINANCIAL GROUP."

Michael Lee-Chin
Chairman

Board of Directors

Our Board of Directors, in executing its role, applies sound corporate governance which is vital to the activities of NCB Financial Group Limited (NCBFG) and its subsidiaries (the Group).

HON. MICHAEL LEE-CHIN
OJ, HON. LL.D., B.ENG
Chairman

Michael is the President and Chairman of Portland Holdings, a privately held investment company that manages public and private equity. Michael has an ownership interest in a collection of diversified businesses operating in sectors that include financial services, insurance, media, tourism, agriculture, real estate development and pharmaceuticals. He holds various board positions and was appointed Chairman of Jamaica's Economic Growth Council in 2016.

Chairman of the Board

Appointment Date - NCBFG:
February 23, 2017

Length of Directorship - NCBJ:
17 years

PATRICK HYLTON
CD, HON. LL.D., A.C.I.B., BBA
President and Group Chief Executive Officer

Patrick is the Chairman of National Commercial Bank Jamaica Limited, NCB Capital Markets Limited, Guardian Holdings Limited and Clarien Bank Limited. He sits on several boards including the NCB Financial Group and Massy Holdings (Trinidad). He is a member of the Economic Programme Oversight Committee.

Executive Director

Appointment Date - NCBFG:
April 26, 2016

Length of Directorship - NCBJ:
16 years

DENNIS COHEN
FCA, FCCA, B.SC.
Group Chief Financial Officer and Deputy Chief Executive Officer

Dennis is Chairman of NCB Insurance Company Limited, and acting Chairman of NCB (Cayman) Limited, NCB Capital Markets (Cayman) Limited, and NCB Trust Company (Cayman). He also serves as director of NCB Capital Markets Limited, Guardian Holdings Limited, Guardian Life of the Caribbean and Guardian General Insurance Limited (Trinidad) and West Indies Trust Company Limited. He is a member of the Institute of the Chartered Accountants of Jamaica (ICAJ), and serves on its Council.

Executive Director

Appointment Date - NCBFG:
April 26, 2016

Length of Directorship - NCBJ:
13 years

Board of Directors
CONTINUED

PROFESSOR ALVIN G. WINT
CD, D.B.A, M.B.A., B.SC

Alvin is an Emeritus Professor of International Business at the UWI. He serves as chairman of the Statistical Institute of Jamaica, Selected Commissioner of the Electoral Commission of Jamaica and director of Jamaica Producers Group, Planning Institute of Jamaica and the Caribbean Policy Research Institute.

Lead Non-Executive Independent Director

Appointment Date - NCBFG:
February 23, 2017

Length of Directorship - NCBJ:
17 years

SANDRA GLASGOW
MBA, B.SC.

Sandra is the Founder & Managing Director of BizTactics Limited, an Eisenhower Fellow and a representative of Jamaica at the World Business Angels Investment Forum. She serves as a director of Medical Disposables and Supplies Limited, Multicare Youth Foundation Limited, DRT Communications Limited, SiFi Studios Jamaica Limited and Stanley Motta Limited. She is Chairman of the Board of Directors of the National Crime Prevention Fund (Crime Stop) and Deputy Chairman of the Students Loan Bureau. She is the Chairman and Trustee of the SMART Retirement Fund, Trustee of the NCB Pension Funds (1986 and 1999).

Non-Executive Independent Director

Appointment Date - NCBFG:
April 26, 2016

Length of Directorship - NCBJ:
17 years

THALIA LYN
OD, J.P., LL.D., B.A., HON.

Thalia is the Founder and CEO of the Island Grill chain of restaurants in Jamaica and Barbados. She Chairs the N.C.B. Foundation; is a Trustee of the NCB Pension Funds; CEO of Island Catering and Island Grill Holdings; Patron of CB Group/UWI 5K Fundraiser; Director Mustard Seed Communities, Port Royal Patties (UK), Oracabessa Foundation and Devon House Development. She is the Honorary Consul General of Thailand; the second woman inducted into the PSOJ Hall of Fame; and conferred with an Honorary Doctor of Laws degree (LL.D) by the University of the West Indies.

Non-Executive Independent Director

Appointment Date - NCBFG:
February 23, 2017

Length of Directorship - NCBJ:
17 years

ROBERT ALMEIDA
B.COMM., CPA, CA

Robert is the Founding Partner of Portland Private Equity and Managing Partner of the AIC Caribbean Fund and Portland Caribbean Fund II. He is a Director, Senior Vice President and Portfolio Manager at Portland Investment Counsel Inc. (Canada). He currently serves on several Portland group portfolio company boards as well as the not-for-profit Canadian Council for the Americas.

Non-Executive Non-Independent Director

Appointment Date - NCBFG:
February 23, 2017

Length of Directorship - NCBJ:
11 years

SANYA M. GOFFE
LL.B (HONS)

Sanya is a Partner in the law firm Hart Muirhead Fatta with a practice focused on the areas of pensions, capital markets, mergers and acquisitions, intellectual property and commercial law. She serves as a director of Jamaica Producers Group Limited and is the Chairperson of the Pension Funds Association of Jamaica. Sanya presently serves as a member of the Jamaican Bar Association's Commercial Law, Intellectual Property Law and Publications Committees. Sanya is also a member of the UK Association of Pension Lawyers and the International Pension and Employee Benefits Lawyers Association. She is a co-founder of the Adult Learning Centres of Jamaica.

Non-Executive Independent Director

Appointment Date - NCBFG:
April 26, 2016

Length of Directorship - NCBJ:
8 years

OLIVER C. MITCHELL JR.
B.SC., J.D (HONS)

Oliver is an Attorney-at-Law, advisor and consultant, whose focus is on executive human resources matters and litigation avoidance issues. He serves as a director of FS Global Credit Opportunities Fund, a Philadelphia-based mutual fund and serves on the Fund's audit and governance committees.

Non-Executive Independent Director

Appointment Date - NCBFG:
February 23, 2017

Length of Directorship - NCBJ:
4 years

Corporate Governance 2019

Our Board is acutely aware that the Group's continued success is not guaranteed based on the historical growth strategies and competitive advantages that we have enjoyed over the years. The Group operates in an environment characterised by increased complexity and uncertainty and includes new sources of risk and opportunity and so we must engage more deeply, and frequently on entirely new and fast-changing drivers of strategy and risk.

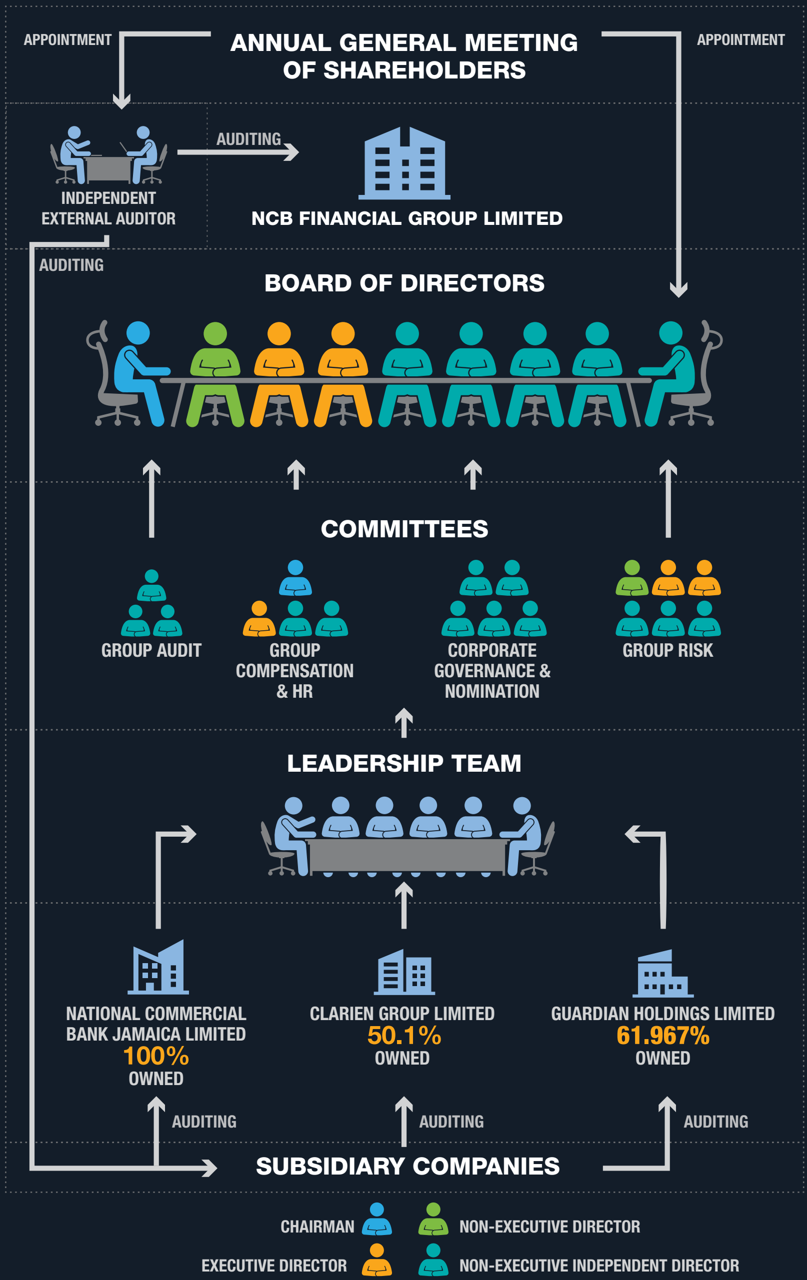
The shifting business paradigm, including emerging technologies, cybersecurity, and other complex issues have profound and immediate implications for the Group, and we expect that these will intensify dramatically over the next several years.

Our Board must therefore govern proactively by providing direction and shaping the future strategy of the Group, acting as a thought partner with management in order to effectively respond to the new strategic challenges, while maintaining focus on what really matters — our strategy, corporate culture, talent, incentives, risks, capital allocation and financial performance.

A ROBUST FRAMEWORK FOR BOARD GOVERNANCE

We believe that strong governance is critical to the Group's long-term success and value creation. In this regard, our corporate governance framework is designed to ensure the appropriate oversight and monitoring required for the Board to execute, as our business continues to expand regionally.

This framework facilitates our compliance with the requirements established by our regulators and other independent oversight bodies in all the 21 territories in which we now operate. In addition, as a member of The Private Sector Organisation of Jamaica (PSOJ), we adhere to the best practices outlined in the PSOJ's Code on Corporate Governance.



During FY2019, our Corporate Governance priorities included the following:

- Updating our policies and practices to reflect the new multinational operating model of the Group and the shifting environmental paradigm,
- Reviewing Director candidates with strong technology and financial expertise to enhance Board diversity and strengthen Board expertise in these strategic areas,
- Continued training and development of directors to enable better governance of a multinational enterprise and to help keep directors abreast of emerging topics of strategic relevance.

ROLES AND RESPONSIBILITIES OF THE BOARD

NCBFG Board members are required to sign a Code of Conduct to affirm their commitment to and understanding of the standards of professionalism and duty of care expected in the execution of their roles and responsibilities. These roles and responsibilities include in summary:

- Monitoring the implementation of the Group's Strategic Initiatives.
- Ensuring approval of policies regarding the Group's operation and functioning.
- Overseeing a formal schedule of matters for its decision in the areas of the Group's strategy, management and control.
- Delegating responsibility for the overall management of the Group to the President & Group CEO.
- Securing fair and reasonable treatment of minority shareholders.

BOARD CULTURE

The Board guards against 'groupthink' by fostering a culture in which Directors know that they can engage in rigorous discussion, speak candidly, disagree strongly, yet reach decisions on difficult issues.

Responsibilities of the Board and its Committees

Governance	▶ Approving the Group's corporate governance framework to ensure it conforms to best practices as well as regulatory and statutory requirements.	▶ Approving the organisational/management structure and responsibilities. ▶ Providing effective oversight over Management's activities
Strategic	▶ Providing direction to Management concerning the articulation of the vision and strategy for the Group. ▶ Engaging management and approving the vision and strategy proposed by Management. ▶ Engaging management and approving Management's long-term corporate strategy and performance objectives and ensuring appropriate resources are available.	▶ Reviewing and approving the Group's annual business plans to determine the inherent level of risk in these plans. ▶ Assessing the adequacy of capital to support the operations of the Group within acceptable risk parameters. ▶ Reviewing performance against the approved four year strategy and how the annual business plan will contribute to achieving targets in the strategic plan.
Performance Measurement Systems	▶ Approving performance objectives and performance measurement systems.	▶ Reviewing the performance of the Board, Board Committees, and the metrics by which the performance of the President and Group CEO, Group CFO and Deputy CEO are measured.
Internal Controls	▶ Assessing the adequacy of the systems of risk management, internal controls, control environment and regulatory compliance.	

Corporate Governance 2019

CONTINUED

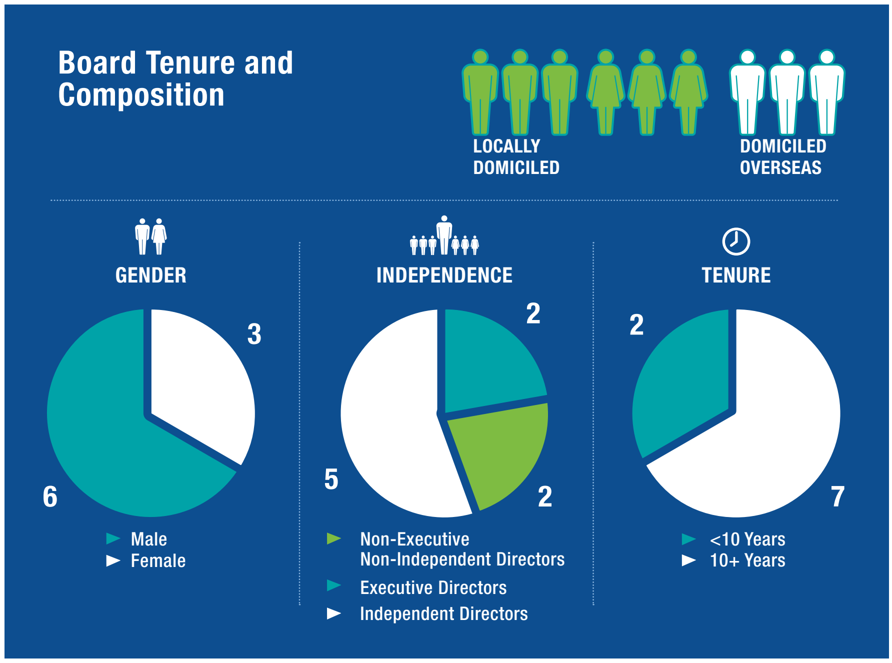
Responsibilities of the Board and its Committees cont'd

Business Decisions	▶ Approving and monitoring the progress of material financial restructurings, including mergers, acquisitions, divestments and acquisitions, annual budgets and dividends, which affect our Statement of Financial Position.	▶ Approving financing and changes in capital. ▶ Approving, entering into, or withdrawing from, businesses or service lines.
Human Resources	▶ Retaining the authority to appoint and remove the President and Group CEO and the Group CFO and Deputy CEO especially, as well as executives, particularly those who report directly to the President and Group CEO and the Group CFO and Deputy CEO. ▶ Agreeing on President and Group CEO's goals and objectives and reviewing performance against these.	▶ Ensuring that succession planning for the positions of President and Group CEO and Group CFO and Deputy CEO is in place, and monitoring management's succession planning for other executive positions.W
Financial Performance	▶ Approving the annual budget and targets, annual financial statements and interim results, and monitoring financial performance. ▶ Ensuring that financial results are reported fairly and in accordance with IFRS and other relevant standards.	▶ Approving financial statements released by Management and ensuring that any reports issued by the Group, including the financial statements, present a 'true and fair' view of the Group's position and performance.
Compliance	▶ Ensuring that the Group operates at all times within applicable laws and regulations, including an effective Code of Conduct, Anti-Money Laundering and Counter Financing of Terrorism policies.	▶ Ensuring that the Group's policies and procedures manuals comply with all regulatory requirements for all operations.
Communications	▶ Ensuring that there is an agreed communications strategy and procedure with respect to appropriate channels and spokespersons.	▶ Ensuring the development and implementation of an investor relations programme or shareholder communications process for the Group.
Risk Management	▶ Approving risk parameters and policies as well as the Group's risk appetite. ▶ Ensuring that principal risks are identified and Management has implemented appropriate systems to manage these risks.	▶ Ensuring that the systems and controls framework, including the Board structure and organisational structure of the Group are appropriate for the Group's business and associated risks.

BOARD TENURE AND COMPOSITION

We do not abide by a formal, rigid position on the use of tenure-limiting mechanisms to drive member renewal; instead, we strive for a mix of tenures at the Group and Subsidiary board levels. We have found that the range of experiences garnered with this approach provides a wider perspective in the understanding of the various aspects of the Group's business, which our board members govern. Notwithstanding this, strategic succession planning exists at the executive director level, while all non-executive directors must retire at least once every three years but shall be eligible for re-election.

During the FY2019, there were no changes in the composition of our Board.



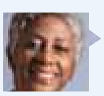
MEMBERSHIP

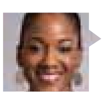
Our Articles of Incorporation require there be no fewer than five and no more than sixteen directors. Currently, our Board comprises seven Non-Executive Directors and two Executive Directors, the latter being the President & Group CEO and the Group CFO & Deputy CEO.

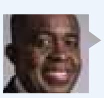
CURRENT MEMBERS


Robert Almeida


Dennis Cohen


Sandra Glasgow

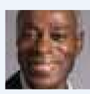

Sanya Goffe


Patrick Hylton


Michael Lee-Chin
Chairman


Thalia Lyn


Oliver Mitchell Jr


Professor Alvin Wint
Lead Independent Director

CHAIRMAN

Our Chairman, Hon. Michael Lee-Chin OJ is a Non-Executive Director, whose main responsibility is the effective conduct of the Board's affairs. He has the requisite skills and experience in a broad portfolio of industries and organisations, including financial services, hospitality, real estate, and health care. The Chairman also represents NCBFG to shareholders and the wider community although, as the controlling shareholder of NCBFG, he is not an independent director in accordance with our defined criteria, the Board believes that neither his significant interest in NCBFG nor his positions held outside NCBFG impair his ability to fulfil his duties to the Board and Group.

PRESIDENT AND GROUP CHIEF EXECUTIVE OFFICER

Our President and Group CEO, Patrick Hylton, CD, a key member of the Board, is responsible for implementing the strategic, business and financial objectives of the Group, analysing the impact on strategic objectives and financial position when allocating the Group's resources or capital. Mr Hylton also chairs the Boards of Guardian Holdings Limited and Clarien Bank Limited.

CORPORATE SECRETARY

The Board has appointed Mr Dave Garcia as the Group Corporate Secretary. The appointment and removal of a Corporate Secretary is subject to the approval of the Board. The Board requires that the Corporate Secretary is suitably qualified and capable of performing the duties of the position, including advising on meeting Board regulatory requirements, preparing agendas, distributing meeting records, circulating a timetable for meetings and ensuring good governance is practised throughout the organisation.

ROLE OF INDEPENDENT DIRECTORS

No less than one-third of our Board members must qualify for the status of Independent Director. We believe this provides adequate balance in the perspectives and judgements shared in the governance of our business. A Director is defined as "independent" when he or she:

- Does not represent a substantial shareholding,
- Is not a close relative of a significant shareholder,
- Does not have an employment relationship with the Group or its parent company
- Is free of any interest, position, association or relationship that might influence or reasonably be perceived to influence, in a material respect his or her capacity to bring independent judgment to bear on issues before the Board and to act in the best interest of the Group and its shareholders generally.

The Directors so defined are:	
1.	Sandra Glasgow
2.	Sanya Goffe
3.	Thalia Lyn
4.	Oliver Mitchell Jr.
5.	Alvin Wint, CD Lead Independent Director

Guidelines are maintained for Independent Directors which outline the frequency, purpose and execution of their meetings and which enable them to assess the nature of the information exchange between the Board and Management, such that there is adequacy of independence from the controlling shareholder and from management in the discharge of their duties. Meetings of the Independent Directors are scheduled for at least twice per year. In FY2019, two meetings were held.

FRAMEWORK FOR MEETINGS OF INDEPENDENT DIRECTORS

Purpose:

The Independent Directors of NCBFG shall meet to achieve the following:

- Assessment of the extent to which directors are able to provide an independent perspective on Board deliberations;
- Assessment of the extent of their independence from the controlling shareholder and from management;
- Assessment of the quality, quantity and timeliness of the flow of information between the Company's management and the Board that is necessary for the Board to effectively and reasonably perform its duties.
- Carry out such other purposes as may from time to time be agreed.

MEETING ADMINISTRATION

The meetings are chaired by the Lead Independent Director or another Independent Director, elected by the other Independent Directors present to chair in his absence. While feedback from the meetings of the Independent Directors is provided to the Board, no duties of the Board, any Board Committee or Management are delegated to this grouping.

The Corporate Secretary (as a member of management) does not attend the meetings, nor does any other employee of the Company.

It is the responsibility of the Lead Independent Director to report the outcome of each meeting to the next regular Board meeting, orally or in writing. If an oral report is given, any material feedback is captured in the minutes. Action items are to be identified and carried out accordingly.

BOARD SKILLS & EXPERIENCE

Given the strategic focus on Digital Innovation and Financial Acumen as sources of competitive advantage for the Group, Board competencies in technology and finance are critical. We continue the process of reviewing candidates with strong technology and financial expertise who have worked in their areas of expertise, who can consider innovation in a strategic context, and who have a proven track record in digital transformation. These, coupled with the traditionally relevant business management skills and experience to effectively govern, position our Group to access ongoing knowledge and guidance that will facilitate sustainable success.

BOARD SKILLS & EXPERIENCE	Corporate governance	Strategy	Global perspective	Information Technology/ CyberSecurity	Financial expertise	Financial literacy	Listed company experience	Human resources and compensation	Legal skills & expertise	Stakeholder engagement	Leadership	Financial services	Risk management
Robert Almeida	^	^	^		^	^	^	^		^	^	^	^
Dennis Cohen	^	^	^	^	^	^	^	^		^	^	^	^
Sandra Glasgow	^	^				^	^	^		^	^	^	^
Patrick Hylton	^	^	^	^	^	^	^	^		^	^	^	^
Michael Lee-Chin	^	^	^		^	^	^	^		^	^	^	
Sanya Goffe	^					^	^		^	^			^
Thalia Lyn	^	^				^	^	^		^	^	^	^
Alvin Wint	^	^	^		^	^	^	^		^			^
Oliver Mitchell Jr	^	^				^	^	^	^	^			
Total	9	8	5	2	5	9	9	8	2	9	6	6	7
%GE	100%	89%	56%	22%	56%	100%	100%	89%	22%	100%	67%	67%	78%

> **Strategy:** Demonstrated experience in developing, implementing and delivering strategic objectives. > **Global perspective:** Having a global perspective through exposure or responsibility for international operations. > **Information Technology/CyberSecurity:** Experience in IT Governance/technology strategies and innovation &/or cyber security. > **Financial Expertise:** Experience in financial accounting and reporting, capital management and/or actuarial expertise. > **Financial literacy:** Ability to analyse and interpret financial statements. > **Listed Company Experience:** Minimum of 1 year's experience as a non-executive director with a listed company. > **Legal Skills & Expertise:** Proven ability and understanding in the application of legal principles. > **Stakeholder Engagement:** Demonstrated ability to build and maintain key relationships with industry, government and regulators. > **Leadership:** C-level experience (with large company). > **Financial Services:** Local or international experience in banking, insurance and/or securities industries. > **Risk Management:** Proven ability in identifying, assessing and managing macro, strategic, operational and financial risks.

BOARD TRAINING AND DEVELOPMENT

Directors across the Group are provided with annual ongoing professional development and training opportunities and programmes to enable them to develop and maintain the skills and knowledge needed to perform their roles effectively. Board members are also encouraged to seek out external learning resources to deepen their understanding of the business and governance. These costs may be paid by NCBFG, subject to Board approval.

Instructor	Institution	Title of programme	Attendees	Duration
Frithjof Lund & Nina Spielmann	McKinsey & Co	Effectively Governing a Multinational Group	Directors Michael Lee-Chin, Robert Almeida, Alvin Wint, Oliver Mitchell Jr, Patrick Hylton, Dennis Cohen, Sandra Glasgow, Sanya Goffe and Thalia Lyn	2 hours
Mr Robin Sykes	Financial Investigations Division	CFATF Mutual Evaluations and Consideration for an expanded financial group	Directors Michael Lee-Chin, Robert Almeida, Oliver Mitchell Jr, Patrick Hylton, Dennis Cohen, Sandra Glasgow, Sanya Goffe and Thalia Lyn	2 hours
Cecil Williams & Sandie King-James I.T. Managers	NCB Group Operations and Technology Division	Information Security Awareness – Security Consideration for Mergers & Acquisitions	Directors Michael Lee-Chin, Robert Almeida, Alvin Wint, Oliver Mitchell Jr, Patrick Hylton, Dennis Cohen, Sandra Glasgow, Sanya Goffe and Thalia Lyn	2 hours

BOARD AND COMMITTEE MEETING ATTENDANCE

One measure of the commitment of our Directors to the governance of our Group continues to be evident in the track record of attendance at board and committee meetings during the financial year.

	Board (9)	Audit (6)	Corporate Governance & Nomination Committee (4)	Group Compensation & HR Committee (5)	Group Risk Committee (4)
ROBERT ALMEIDA	9	N/A	N/A	N/A	4
DENNIS COHEN	9	N/A	N/A	N/A	4
SANDRA GLASGOW	9	6	4	5	4
PATRICK HYLTON	9	N/A	N/A	5	4
MICHAEL LEE-CHIN	9	N/A	N/A	4	N/A
SANYA GOFFE	9	6	4	N/A	4
THALIA LYN	9	N/A	4	N/A	N/A
ALVIN WINT	9	6	4	5	4
OLIVER MITCHELL JR	9	N/A	4	N/A	N/A

MEASUREMENT OF BOARD PERFORMANCE

The setting of Board objectives and the evaluation processes are embedded in the annual work plans of the Board and its committees and are based on feedback from the previous year's evaluation. In FY2019, our Board evaluation was facilitated by a leading global consulting firm who reported the results compared to benchmarks they were able to establish globally. The Board regularly reviews progress on the action items arising from the results of the evaluation.

Attendance at board meetings is also one of the areas used to evaluate the performance of directors. Each board member is required to achieve a 75% minimum attendance for each financial year and must not miss three consecutive board meetings.

Directors also participate in individual 360° performance reviews, in which they evaluate themselves and each other director. Each director receives a report on the feedback received on him/her, all directors receive comments on overall observations, and the Chairman receives details of each director's evaluation so he may determine whether any further steps in particular, conversations with specific directors would be warranted or helpful

BOARD REMUNERATION

Remuneration to Board members is determined by first assessing the nature of the responsibility and time commitment required of them and secondly by benchmarking with market rates. The fees paid to our Non-Executive Directors are not related to the performance of the Group. These fees include a retainer for the year and a fee for each Board and Committee meeting attended. Fees are not actually paid to Executive and Non-Independent Directors.

During the year, the fees payable were as follows:

- A retainer for the Chairman of $2,666,667 per annum (not actually paid) and a retainer for other Board members of $1,125,005 per annum.
- Directors who chair the Audit, Corporate Governance and Nomination and the Group Risk Committees receive instead a retaner of $1,968,760 per annum.
- The Lead Independent Director, however, receives a retainer of $2,000,000 per annum.
- A fee payable to directors of $83,333 per Board meeting and $66,667 for each Committee meeting attended.

FEES PAID FOR FINANCIAL YEAR OCTOBER 2018 - SEPTEMBER 2019

	Q/E DECEMBER 2018	Q/E MARCH 2019	Q/E JUNE 2019	Q/E SEPTEMBER 2019	TOTAL
Sandra Glasgow	856,641.02	806,641.75	644,142.00	744,142.00	3,051,566.77
Sanya Goffe	548,437.76	598,437.76	485,938.00	435,938.00	2,068,751.52
Thalia Lyn	448,437.75	448,437.75	385,938.00	385,938.00	1,668,751.50
Alvin Wint	912,499.27	812,499.26	649,999.50	749,999.50	3,124,997.53
Oliver Mitchell Jr	597,917.00	597,917.00	514,584.00	514,584.00	2,225,002.00

Strive to achieve corporate governance best practice standards.

Overseeing risk appetite, major policies, management guidelines, and procedures that govern the process for managing all risks on an enterprise-wide basis.

Ensure the appropriate mechanisms are in place regarding succession management for the Executive Leadership.

Reviewed changes in International Financial Reporting Standards in order to develop a full understanding of their likely impact on the financial statements.

BOARD COMMITTEE REPORTS

Board Committees are established to enable further Director oversight and governance in key functions of the Group. Each Board Committee reports to the Group Board on its activities, subsequent to each meeting. The Committee names and members are provided in table 1.

TABLE 1 : BOARD COMMITTEE MEMBERS

Name of Committees	Members
Group Compensation & HR Committee	Michael Lee-Chin, OJ (Chair), Patrick Hylton, CD, Sandra Glasgow and Alvin Wint, CD
Corporate Governance and Nomination Committee	Sandra Glasgow (Chair) and Alvin Wint, CD, Sanya Goffe, Thalia Lyn, OD, and Oliver Mitchell Jr
Group Risk Committee	Alvin Wint, CD (Chair), Sandra Glasgow, Sanya Goffe, Robert Almeida, Patrick Hylton, CD and Dennis Cohen.
Audit Committee	Alvin Wint, CD (Chair), Sandra Glasgow and Sanya Goffe

CORPORATE GOVERNANCE AND NOMINATION COMMITTEE

This Committee has responsibility for the corporate governance of the Group. Its purpose is:

- to assist the Board in ensuring the Board's composition, structure, policies and processes meet all relevant legal and regulatory requirements,
- to strive to achieve corporate governance best practice standards,
- to facilitate the Board and management's objective of increasing the long-term value of the Group, and
- to identify and recommend suitable persons to become directors of the Group.

The Committee's role, responsibilities, composition and membership requirements are documented in the Corporate Governance and Nomination Committee Charter approved by the Board, which is available on the Group's website: www.myncb.com/corporategoverance.

Main activities undertaken during FY2019:

- Review of Jamaica Stock Exchange Corporate Governance Index, identifying and tracking resulting actions.
- Review of the framework for meetings of Independent Directors.
- Reviewing and proposing the governance structures for NCBFG.
- Review of Board Effectiveness Survey 2018 and implementation of action plan for areas for improvement.
- Review of technology applications to enhance the flow of information to the Board.

- Ongoing review of the policy and procedure framework of NCBFG and its major subsidiaries.
- Review of the Board Charter, Corporate Governance & Nomination Committee Charter and the Securities Trading Policy for NCBFG. The revised policies have been posted on the NCBFG website at www.myncb.com/corporategovernance.
- Review of candidates for membership on the Board, including face-to-face interviews and commissioning background checks.
- Review of Directors' & Officers' Insurance Coverage.

GROUP RISK COMMITTEE

The Group Risk Committee assists the Board in fulfilling its responsibility with respect to oversight of the Group's risk management framework including risk appetite, and the policies and major procedures related to managing credit, market, liquidity, capital, operational and certain other risks as determined from time to time. The Committee reports to the Board of Directors regarding the Group's risk profile, as well as its risk management framework including the significant policies and practices employed to manage risks in the Group's businesses as well as the overall adequacy of the risk management function. The Committee also plays a role in the decision-making process around significant risks that are to be undertaken by the Group.

The responsibilities include:

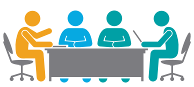
- Overseeing risk appetite, major policies, management guidelines, and procedures that govern the process for managing all risks on an enterprise-wide basis.
- Reviewing and approving the fiduciary responsibility for risk management performance.

- Overseeing and approving the capital management strategy.
- Periodically reviewing the scope of risk management work within the organisation and management's performance.
- Monitoring and assessing concentration risks and limits, connected party exposures and cross border exposures.
- Overseeing the credit portfolios in the Group's companies and the integrity of credit system controls.
- Reviewing large exposures and exceptions to the Group Enterprise Risk Management Policy and the Group Credit Risk Policy.
- Reviewing the insurance risk management framework for the insurance companies in the Group.
- Assessing compliance with regulatory requirements.
- Approving credit facilities where multiple Group companies are participating.
- Regularly reporting to the Board on the Committee's activities.
- Reviewing and assessing the adequacy of the Charter annually and recommending any proposed changes to the Board for approval.
- Evaluating the adequacy of the Risk Management function.
- Advising the Board on the risk impact of strategic decisions.
- Monitoring the risk culture.

The Committee comprises two executive members and four non-executive members of the Board. The committee generally meets at least four times per year in order to fulfill its duties.

Main activities undertaken during FY2019:

During the year, the Committee received reports on the Group's operational risk profile to include an examination of the Group's information security posture and potential events such as fraud and systems failures, which could give rise to losses and impact the organisation's reputational risk. Credit, market and liquidity risks, which are associated with and/or emanate from the Group's loan and investment portfolios, were also the subject of oversight and discussion during the year. The Committee also examined the risk governance framework and approved a number of risk related policies.



GROUP COMPENSATION & HUMAN RESOURCES COMMITTEE

This Committee is responsible for the following six broad areas:

- Succession, Evaluation and Compensation
    - Ensure appropriate mechanisms are in place regarding succession management for the executive leadership.
- Compensation of Senior Management
    - Review and approve the compensation of senior management regarding incentive awards, salaries and benefits, performance targets and other remuneration matters.
- Leadership Development
    - Ensure appropriate frameworks and systems are in place to build leadership talent for enterprise needs.
- Review Human Resource Policies and Practices
    - Ensure human resource systems, including hiring and learning and development policies and compensation structures are in place and are regularly reviewed.
- Diversity
    - Review the Group's culture, diversity and inclusion programmes and initiatives.

Main activities undertaken during FY2019:

- Reviewed the Compensation and Human Resource Committee Charter.
- Reviewed organisational restructuring.
- Reviewed the Succession Management Strategy undertaken and recommended for approval by the Board.
- Reviewed compensation of senior managers and executive assistants.
- Reviewed incentive payments.
- Reviewed recommendations for promotions.
- Reviewed revised Human Resources policies, namely: Code of Conduct, HIV/AIDS Policy, Diversity Policy, Staff Loan Policy, Communicable Disease Policy, Wellness Policy and Sexual Harassment Policy and recommended them for Board approval.

AUDIT COMMITTEE

The purpose of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities for the financial and operational reporting processes, risk management, the system of internal controls, the audit process, and the organisation's process for monitoring compliance with laws and regulations and the code of conduct.

Main activities undertaken during FY2019:

- Reviewed quarterly unaudited financial statements and Stock Exchange releases with the Group CFO and Deputy CEO, the Group CAE and the External Auditor before their release, giving due consideration to whether they were complete and consistent with the information known to Committee members.
- Reviewed changes in International Financial Reporting Standards in order to develop a full understanding of their likely impact on the financial statements.
- Reviewed the External Auditor's proposed audit strategy, scope and fees for the audit of the year-end financial statements.
- Pre-approved all non-audit related services provided by the External Auditor to companies within the Group.
- Reviewed reports from the Group Internal Audit Division on the organisation's risk management and internal control environment, noting significant audit findings and management's action plans for resolution.
- Reviewed reports from the Fraud Prevention Unit on frauds, forgeries and other irregularities in respect of investigations undertaken.
- Reviewed reports from the Group Legal and Compliance Division on regulatory compliance, breaches and remediation and the management of legal risk.
- The Audit Committee Chairman also reports to the Board in writing at least quarterly on matters reviewed and discussed by the Committee.
- Reviewed all relevant related party transactions to ensure they are in compliance with the policy on Related Party Transactions.

In FY 2019, the Audit Committee Chairman hosted an inaugural "Meeting of the Chairs", a meeting of all the Audit Committee chairpersons within the Group. All Audit Committee chairpersons attended and the consensus was that the meeting was successful in getting alignment on best practice execution of responsibilities, including interaction with the internal audit function.

External Auditor

PricewaterhouseCoopers (PwC) is the Group's External Auditor, whose re-appointment was affirmed at the Group's Annual General Meeting (AGM) held in January 2019.
The External Auditor provides an independent opinion on whether, among other things, the Group's financial report provides a true and fair view of its financial position and performance.

The lead audit partner, Mr Garfield Reece and his team, attended meetings of the Committee and met with members of the Committee in the absence of management to discuss the audit process, any internal control weaknesses, risk matters and whether there were any significant disagreements with management regarding the financial statements. Mr Reece will also attend the AGM scheduled for 2020 and be available to respond to shareholder questions relevant to the audit.

PwC is required to confirm, at least annually in writing, that the firm complies with relevant ethical requirements regarding independence, within the meaning of the Ethical Standards promulgated by the Auditing Practices Committee of the Institute of Chartered Accountants of Jamaica. Those standards align with the Code of Ethics for Professional Accountants promulgated by the International Federation of Accountants. ISA 260 Communication with Those Charged with Governance requires communications in relation to any matters or relationship which the external auditors believe may have a bearing on the firm's independence or the objectivity of the audit engagement team.

The Audit Committee periodically considers whether there should be a rotation of our external auditor because the Committee believes it is important for the external auditor to maintain independence and objectivity. In determining whether to reappoint PwC, the Audit Committee considered several factors including:

- the length of time PwC has been engaged;
- PwC's independence and objectivity;
- PwC's capability and expertise in handling the complexity of NCBFG's operations in the countries and industries in which the Group operates;
- the firm's historical and recent performance, including the extent and quality of its communications with the Committee, and feedback from management regarding the firm's overall performance, and;
- the appropriateness of PwC's fees, both on an absolute basis and as compared with its peers.

The Audit Committee believes that the continued retention of PwC as our external auditor is in the best interest of the Group and our shareholders, and will recommend to our shareholders the approval of the selection of PwC as our external auditor for the 2019/2020 financial year at our next Annual General Meeting.

STAKEHOLDER COMMUNICATION

We recognise the value of providing access to our governance philosophy, guiding business principles and overarching corporate values. Our stakeholders must be able to engage with us via appropriate channels and there must be avenues through which information may be disseminated to keep them abreast. In this regard, we favour digital means of communication due to the wide dissemination capabilities, along with timely face-to-face interactions where we can delve deeper into issues of importance.

Located on our website: www.myncb.com are a list of key policies, relevant business charters and our Annual Reports. We also share the latest relevant market information on our website, in social media and via traditional print channels. We continue to host quarterly Investor Briefings and Annual General Meetings, which specifically cover our financial performance and our strategic plans. These meetings are live streamed, offering access to all stakeholders regardless of their location.

NCBFG BOARD CHARTER

Our current Board Charter is located on our website at www.myncb.com/corporategovernance.

OTHER KEY GOVERNANCE POLICIES

In addition to the overarching Board Charter, which supports our Group Corporate Governance Framework, there are some key policies, which further illustrate our guiding philosophy as a business:

CORPORATE DISCLOSURE

The Group's Corporate Disclosure Policy applies to all directors, officers and employees of NCB Financial Group Limited and its subsidiaries, and regulates the disclosure of all material information of the NCB Group relating to its business and activities whether in written or oral statements.

It is understood that the Group, in fulfilling its obligations, will ensure that all relevant and material information is disclosed to our shareholders and the market in a timely manner. The information will be factual, accurate, comprehensive and broadly disseminated in accordance with applicable provisions of the laws of the countries in which it operates, as well as in line with the rules and regulatory requirements of the stock exchanges on which it is listed.

We adhere to the following disclosure principles:

- The goal of disclosure is to provide information for interested parties and shareholders in order to help such persons make informed decisions or take action.
- Material information will be publicly disclosed by way of a release.
- When disclosing information, we are guided by the principles of accuracy, accessibility, timeliness, completeness and regularity. Additionally, the Group seeks to maintain a reasonable balance between the transparency of the Group and the protection of its commercial interests while complying with provisions of relevant laws, the Group's constitutive documents, the Disclosure Policy and other relevant internal documents of the NCB Group.
- The Group will not withhold the disclosure of negative information about the Group if such information is considered material or essential for shareholders or potential investors.

The full Corporate Disclosure Policy is available on our website at www.myncb.com/corporategovernance.

CODE OF CONDUCT

There are two Codes of Conduct in place - one for directors and one for employees. The Board has approved Codes of Conduct (the Codes) which bind directors and employees of the Group to the highest standards of professionalism and due diligence in discharging their duties. The Codes outline areas of conflict of interest, confidentiality and responsibility of the directors and employees to the Group, the shareholders, and regulators, and include guidance on:

- Acting with honesty and integrity.
- Treating all with respect.
- Reporting breaches of the Codes.
- Declaring personal interest.
- Maintaining privacy and confidentiality.
- Ensuring a safe working environment.

All transactions and contracts in which any Director has a material personal interest are also required to be disclosed.

SECURITIES TRADING

The Group has an established Securities Trading Policy, which seeks to ensure that key persons in the organisation will not abuse their positions by using insider information, not available to the market, to trade shares for their financial benefit. The Corporate Governance and Nomination Committee of the Board is entrusted with the compliance responsibility for this policy, which is accessible on www.myncb.com/corporategovernance.

WHISTLEBLOWER PROTECTION

The Group has a Whistleblower Policy, which provides a confidential channel for employees to report any instances of fraud, corrupt conduct, bribery, adverse behaviour, legal or regulatory non-compliance, questionable accounting and auditing practices. The Policy has established procedures for acting on all disclosures. Employees reporting issues can be confident that we will take all reasonable steps to protect their identity and shield them from reprisals.

This policy complies with the Protective Disclosures Act.

CONFLICTS OF INTEREST

Under the Code signed by all Directors, they are expected to exercise restraint regarding any action, position or interest which conflicts with, or is perceived to conflict with, an interest of the Group. Directors are required to declare to the Board any personal interest, whether direct or indirect (of 'connected persons'), they may have in matters brought before the Board. This declaration is recorded in the minutes, and the interested Director does not attend the deliberations in the area(s) of interest or vote on related resolutions.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

We support an inclusive workplace reflective of the wide range of socio-economic-political backgrounds of all our stakeholders, including customers and the public at large. Our focus is on achieving the right mix among economic growth, digital transformation and social well-being. The Group's CSR activities seek therefore to ensure:

- Our Mission is realised;
- Our Core Values are reinforced;
- The Group will enjoy long-term success while providing appropriate benefits for our key stakeholders: our employees, investors, consumers and our communities;
- We perform competitively and profitably through responsible business practices; and
- We remain committed to the principles of sustainable development, which emphasise the integration of economic, social, environmental and ethical goals in our business activities.

The executive team is committed to fostering dialogue with stakeholders to help the Group understand their expectations, identify emerging issues and opportunities, assist with risk management, and improve Group performance. Specific stakeholder group interests with which we align our CSR programmes are:

OUR CUSTOMERS

- by continually winning their trust, so that we will be their preferred institution to deliver financial services.

OUR EMPLOYEES

- being an employer of choice, by investing in building their skills sets and competencies and balancing work-life responsibilities, so that the organisation can achieve high levels of staff productivity.

OUR COMMUNITIES

- being a responsible citizen by investing in our communities, managing the Group's environmental impact and dependencies, and having a positive impact through the Group's supply chain.

OUR SHAREHOLDERS

- ensuring that we are a top tier performer maximising shareholder returns over the long term.

REGULATORS AND THE GOVERNMENT

- practising excellence in corporate governance and business ethics.

OUR COMPETITORS

- working with members of the financial services community to jointly address challenges facing the industry for the benefit of our shareholders and wider society.

THE MEDIA

- being an information facilitator and change agent to make financial inclusion possible where persons have access to useful and affordable financial products and services which meet their needs.

Further details of our CSR activities in relation to these stakeholders are provided throughout this Annual Report.

ARTICLES OF INCORPORATION

The Articles of Incorporation of NCB Financial Group Limited have not been amended since its incorporation in April 2016.

Sandra A. C. Glasgow
Chairperson
Corporate Governance & Nomination Committee

View all Corporate Governance documents.

www.myncb.com/corporategovernance

Our Policies & Practices

CORPORATE DISCLOSURE POLICY

THE GROUP HAS A CORPORATE DISCLOSURE POLICY THAT REGULATES THE DISCLOSURE OF INFORMATION BY AND ABOUT THE ORGANISATION AS WELL AS ITS BUSINESS ACTIVITIES.

It stipulates that the Group's companies shall be responsible to make any disclosure that they are required to make by virtue of any law, regulation or regulatory requirement.

The Policy contains the following:-

1. Objectives and principles of disclosure
2. Media communication protocol
3. Details of the persons generally authorised to make disclosures on behalf of the Group
4. Parties and rules for the disclosure of information
5. For the Group companies with securities listed on a stock exchange (NCBFG Listed Companies): general stipulations for disclosure and in respect of financial information, and information that should be contained in the Annual Report to Shareholders, including a Management Discussion & Analysis (MD&A),
6. In addition to the means of disclosure required by law, NCBFG Listed Companies will:-
   a) conduct meetings,
   b) disclose information on NCB's website and
   c) issue press releases.

Visit www.myncb.com/corporategovernance to view a copy of this policy.

DIVIDEND POLICY

DIVIDENDS, WHICH ARE PAID OUT OF THE PROFITS OF AN ORGANISATION, INFLUENCE SHAREHOLDERS' AND POTENTIAL INVESTORS' PERCEPTIONS OF THE COMPANY'S FINANCIAL STRENGTH AND ULTIMATELY SHARE PRICE.

Notwithstanding its importance to investors and shareholders, dividend payments reduce the level of profits retained in the company and consequently the level of capital. The maintenance of adequate capital is important in ensuring that the strategic objectives of an organisation are met while complying with all capital adequacy requirements. The Board of Directors of NCBFG recognises the importance of capital in meeting the needs of shareholders, investors and the business. To this extent, a dividend pay-out rate has been determined.

Dividend Pay-Out Rate

The Board of Directors will declare, at its discretion, dividends to shareholders. These dividends will be paid from the realised earnings of NCBFG. The dividends will be subject to a maximum of 50% of the net profits earned each year. In the event that the payout is less than 50% in any one year, the Board of Directors reserves the right to increase future distributions proportionately. Further, the Board, at its discretion, may distribute to its shareholders the full amount of dividends received from subsidiaries and realised gains arising from non-recurring or extraordinary transactions.

The Dividend Policy is consistent with the Capital Management Plan and is reviewed annually or more frequently as determined by the Board of Directors.

Visit www.myncb.com/corporategovernance to view a copy of this policy.

ENVIRONMENTAL POLICY & PRACTICES

THE GROUP IS COMMITTED TO CARING FOR AND PROTECTING THE ENVIRONMENT IN WHICH WE OPERATE. WE HAVE AN ENVIRONMENTAL POLICY AND AN ENERGY CONSERVATION STRATEGY AND CONTINUE TO USE 'GREEN' TECHNOLOGY THROUGHOUT THE ENTERPRISE WHERE FEASIBLE.

This includes the discontinuation of the burning of waste at our locations, the use of LED lighting, rain water collection and distribution, air conditioning upgrades and sewage disposal upgrades. In Jamaica these mechanical sewage systems are being monitored by the National Environment and Planning Agency (NEPA).

The use of green technology has also been implemented at the following Jamaican locations: Constant Spring Road, Fairview (Montego Bay), Knutsford Boulevard, Portmore, Cross Roads and at our 29 Trafalgar Road location. This includes inverter air-conditioning systems, as well as use of solar energy panels tied to the public electrical supply grid.

We have also eliminated the printing of statements and provide e-statements via NCB Online.

HUMAN RESOURCE DEVELOPMENT POLICIES AND PRACTICES

THE GROUP THROUGH ITS HUMAN RESOURCE DEVELOPMENT PHILOSOPHIES, POLICIES AND PRACTICES DELIVERS ON ITS CORE MANDATE WHICH IS THE DEVELOPMENT AND DIRECTION OF STRATEGIES FOR THE EFFECTIVE AND EFFICIENT MANAGEMENT OF THE HUMAN CAPITAL OF THE GROUP.

In keeping with the organisation's strategic direction, the Group has established and maintains a Talent Management Framework. This facilitates talent acquisition, employee development, workforce planning and retention which enables the HR function to continue to be a strategic driver and create a work environment that is conducive to high levels of employee productivity, innovation and customer centricity.

In order to achieve operational excellence, the Group Human Resources and Facilities Division ensures that the business has the right capabilities, capacity and organisation design to create value. In delivering on these objectives, some of the main areas of focus in our policies and practices include: Learning and Development, Talent Management, Succession Management, Education/Benefits, Whistle Blower, Occupational Health and Safety, HIV Workplace Policy, Diversity, Sexual Harassment, Supply Chain Management and Asset Management (physical).

Learning and Development

The Company is committed to continuously developing and enhancing initiatives that support employee professional development and expertise. The Corporate Learning Campus supports the organisation's employment, retention and growth strategies, including; succession planning, promotion, development and cross-training interventions and thereby enables increased performance and productivity levels.

Talent Management

NCBFG is committed to continuously enhancing its talent management strategies which enable capacity and capability building for operational excellence to enhance the sustainability and profitability of the Group. This includes onboarding of qualified candidates, employee development, succession management, performance management, retention strategies and workforce planning.

The practices and procedures which guide talent management are: fairness and consistency, non-discrimination on the grounds of sex, race, age, religion or disability and conforming to statutory regulations and agreed best practices.

Succession Management

NCBFG recognises that succession management is critical to business continuity and has therefore implemented strategies and programmes which ensure that the organisation has the right talent in mission critical and key leadership positions. It also ensures that there is continuous development of potential business leaders and renewal of learning and development.

Occupational Health and Safety

The Group seeks to provide a workplace that is free from preventable injuries and occupational illnesses through the observance of the respective rules and regulations by all concerned. We believe that a safe and healthy working environment is essential to achieving high productivity and work quality comparable with international standards. The Group is committed to compliance with safe practices and the promotion and maintenance of a safe and healthy working environment through the training and education of employees.

HIV/AIDS Workplace Policy

The policy provides a framework to monitor and mitigate the impact of HIV/AIDS on the Company and seeks to maintain stability and productivity in the workplace, whilst protecting the confidentiality, dignity and rights of HIV positive persons.

Whistleblower Policy

NCBFG provides a work environment that encourages and enables employees and others to raise serious concerns about breaches in how employees conduct their roles and responsibilities. This is in keeping with internal policies and applicable laws. It is important that our stakeholders understand that we value employees' role in supporting a culture of high standards of business and personal ethics without any fear of adverse consequences.

Education/Benefits

The Group Education Policy seeks to encourage staff to explore opportunities to build their competencies by improving their own knowledge and understanding of the skills and issues which are relevant to the services offered by NCBFG.

Diversity Management

NCBFG seeks to take advantage of its diversity to foster an environment of creativity, innovation and idea/solution generation in order to ultimately achieve its vision and compete effectively in the global marketplace. NCBFG understands that a diverse workforce, through the infusion of talents and experiences, can improve the quality of decisions and increase innovation by providing a range of perspectives on each of these areas. We believe that leveraging the mix of talents and experiences will translate into the better servicing of the needs of our customers and the markets within which we operate.

Sexual Harassment

The Group is committed to the maintenance of a work environment which fosters respect and dignity and is free from sexual harassment. NCBFG does not tolerate sexual harassment of its clients, commercial business partners or employees and expects that all relationships with customers, commercial business partners and others are professional and free from sexual harassment.

Supply Chain Management

NCBFG continues to implement and refine our supply chain strategy to ensure the creation of sustainable and collaborative relationships with our commercial partners. This in turn will lead to improved service quality, a reduction in our addressable spend and cost to income ratio, increased operational efficiency and enhanced productivity.

Asset Management (Physical)

Our asset management strategy outlines our approach in optimising the value of the organisation's asset portfolio and enhancing our asset management capabilities. This involves efficient space management, integrated real estate portfolio planning, and environmental sustainability.

ANTI-MONEY LAUNDERING AND COUNTER-FINANCING OF TERRORISM POLICY

THE GROUP IS COMMITTED TO OPERATING IN FULL COMPLIANCE WITH ALL APPLICABLE LAWS AND REGULATIONS TO PREVENT AND DETECT MONEY LAUNDERING AND COMBAT THE FINANCING OF TERRORISM AS WELL AS TO THE ATTAINMENT OF STANDARDS EQUIVALENT TO INTERNATIONAL BEST PRACTICE IN THE AREAS OF ANTI-MONEY LAUNDERING AND COUNTER FINANCING OF TERRORISM (AML/CFT).

The AML/CFT Policy is fundamental to NCBFG's overall risk management and internal control systems and is a part of the system in place to educate and assist employees in adhering to acceptable standards designed to protect the Group, its directors, employees, facilities and operations from money laundering and other illegal activities.

Purpose and Objectives

NCB's AML/CFT policy provides the framework to ensure NCBFG's compliance with all AML/CFT requirements under the applicable laws, regulations and guidance issued by regulatory authorities and includes requirements for:

- The appointment of a Group Chief Compliance Officer charged with ensuring adherence to NCBFG's AML/CFT policy and procedures on a consolidated basis;
- All employees to prevent, detect, and report all potential instances in which NCBFG, its employees, operations or facilities has been, or is about to be, used for money laundering or the financing of terrorism;
- An annual independent audit of NCBFG's AML/CFT programme;
- All employees to participate in at least one AML/CFT training session annually, so that such employees are aware of their responsibilities under NCBFG's AML/CFT policy as well as current developments with respect to AML/CFT issues;
- Establishment of procedures to ensure high standards of integrity for all employees; and
- Customer due diligence requirements including more rigorous requirements for high risk customers/accounts and transactions with overseas customers and counter-parties.

BUSINESS CONTINUITY POLICY & PLAN

THE GROUP'S BUSINESS CONTINUITY POLICY AND PLAN HAVE BEEN CRAFTED TO ENSURE THAT THE BUSINESS IS ABLE TO RECOVER FROM DISASTERS AND OTHER NON-FINANCIAL DISRUPTIONS IN AS LITTLE TIME AS POSSIBLE AND WITH AS LITTLE LOSS IN REVENUE AS POSSIBLE.

The Business Continuity Plan documents the response to be undertaken in specified scenarios and indicates the minimum resources required to ensure the continuity of key business functions in the event of disruptions.

The Plan is drafted in a modular format such that an individual sub-plan is maintained for the different subsidiaries, divisions, branches and critical business units. The plans are stored both physically and in a central web-based repository, which facilitates plan distribution, sharing and updating.

For each business area, the Business Continuity Plan provides a map of specific instructions to be carried out in the event of a future significant business disruption and events of varying scope. Among other things, the Plan describes the role for recovery sites, backup databases and system facilities. A Chief Command team is responsible for monitoring the effective execution of the Plan in the event of business disruption.

The main objectives of the policy include:

- Minimisation of the impact of disruptions on the business and customers by resumption of critical business functions
- Provision of a clear framework for delegation of responsibilities to enable employees to recover key functions and services
- Assurance of recovery of Information Technology infrastructure within Critical Time Frames
- Assurance of compliance with all applicable regulatory requirements.

President's Message

To our valued shareholders,

The completion of the 2018/2019 financial year also marks the closing of the chapter on NCB 2.0: Faster | Simpler | Stronger and the initiation of a new strategic journey for the NCB Financial Group.

Under the NCB 2.0 strategy for FY2016 – FY2020, we achieved two significant milestones.

GENERATED NET PROFIT AFTER TAX OF OVER US$200M IN FY2018, TWO YEARS AHEAD OF SCHEDULE AND

ACQUIRED MAJORITY STAKES IN GUARDIAN HOLDINGS LIMITED AND CLARIEN GROUP LIMITED

Having achieved these milestones ahead of the 2019/2020 financial year, it was an opportune time to think about the next phase of our strategic journey.

I take this opportunity to express my gratitude to our team, our customers and shareholders for your continued support.

The Group is a leading Caribbean financial conglomerate with a presence in 21 territories. Our new aspiration for FY2024 is to become a world-class Caribbean financial ecosystem. This strategy is about unleashing the power of the combined group to take our performance to the next level for the benefit of our combined team, our customers, our shareholders and the territories in which we operate.

Four main pillars anchor our new aspiration:

1. **Strong Financial Performance**
2. **Delighted Customers**
3. **Inspired People and Culture**
4. **Digital to the Core**

What does our aspiration mean?
Becoming **world-class** means that we will not be satisfied with customer experiences, systems, processes, and performance that are the best in our country or the best in our region. Our customers and employees are exposed to world-class products and services. Therefore, we are committed to delivering at the standard.

Becoming a **Caribbean financial ecosystem** means going beyond just having a presence in 21 territories to creating an integrated platform among the companies in the Group and external partners that enables us to seamlessly provide the solutions that allow our customers to build, grow and flourish financially.

NCBFG is committed to an ongoing process of performance improvement because doing well allows us to do good for all our stakeholders. If we look at the experience of National Commercial Bank Jamaica Limited as one example, doing well has had tremendous benefits for our team members, our customers, our shareholders and society.

Our performance has allowed us to provide attractive compensation and benefits to our team members and to invest in their training and development in new emerging skills in high demand globally such as agile, data science, and software development. Our performance allowed us to increase the annual contribution to the N.C.B. Foundation to $280 million in the 2018/2019 financial year, up from $140 million the prior year. Since inception, the N.C.B. Foundation has donated over $2 billion to charitable initiatives. For our customers, we invested significant resources in the first publicly announced Agile Lab in the English speaking Caribbean. We have been able to roll out digital solutions such as Online Account Opening, GoIPO, Credit Card Alerts, Mobile App, Pay Advance, and Straight-Through Loans that have improved the customer experience and we are working to deliver more of these solutions to enhance the customer experience. For our shareholders, we have delivered world-class returns. For every $1,000 Jamaican dollars that a shareholder invested in NCB on March 22, 2002 with the quarterly dividends re-invested, that investment would have been worth $91,282 based on the average trading price in September 2019. Our performance has allowed shareholders to generate wealth.

We have set bold ambitions again for the next chapter of our strategic journey because of our unwavering commitment to excellence, increasing value and exceeding expectations for all of our stakeholders. We are deeply grateful for the continued support of our stakeholders and look forward to sharing this new journey with you.

Patrick A. Hylton, CD
President and Group Chief Executive Officer, NCBFG

"I WOULD LIKE TO TAKE THIS OPPORTUNITY TO EXPRESS MY GRATITUDE TO OUR TEAM, OUR CUSTOMERS AND SHAREHOLDERS FOR YOUR CONTINUED SUPPORT."

Management Team

The leaders of the NCB Financial Group work together towards a common goal of creating stakeholder value, committing to building superior customer experiences and raising the BAR for the financial services industry. [for more info - www.myncb.com]

ALLISON WYNTER
Group Chief Risk Officer

Allison has responsibility for the identification, assessment, measurement, monitoring and shared-management of the principal risks faced by the Group, with particular emphasis on credit, market, liquidity and operational risks.

DAVE GARCIA
Group General Counsel and Corporate Secretary

Dave is responsible for providing the Group with general advice, leadership and direction on all legal, regulatory governance and corporate secretarial matters. He is charged with guiding the Group's legal strategy in its drive toward growth and expansion in Jamaica and elsewhere in the Caribbean and ensuring the effective management of legal risk.

DENNIS COHEN
Group Chief Financial Officer and Deputy Chief Executive Officer

Dennis provides leadership and oversight for the Group's financial planning and reporting. He is responsible for monitoring the performance against strategy and budget and overseeing the Group's transformation office and investor relations function, along with several of our key business segments.

Additional details are included in his director profile on page 22.

MISHECA SEYMOUR SENIOR
Group Chief Compliance Officer

Misheca heads the Group Compliance Unit and is responsible for the development, implementation and effectiveness of compliance programmes, specifically to ensure appropriate measures are maintained for anti-money laundering and counter-financing of terrorism, as well as to monitor and ensure compliance with regulations relevant to the Group.

MUKISA RICKETTS
Group Chief Audit Executive

Mukisa is charged with providing strategic direction and oversight of the internal audit activities for the Group. Her role facilitates transparency of the Group's operations through the independent and objective assurance on the effectiveness of the risk management and governance processes and the internal control environment.

PATRICK HYLTON
President and
Group Chief Executive Officer

Patrick provides strategic leadership to all entities within the Group. He is responsible for the strategic development of the Group so that its sales, service and risk management goals are appropriately set and achieved.

Additional details are included in his director profile on page 22.

Management Discussion & Analysis (MD&A)

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Executive Summary

The management of NCB Financial Group Limited and its subsidiaries ("the NCB Financial Group", "the Group", "we", "our" or "our organisation") is responsible for the integrity and objectivity of the information contained in this Management Discussion and Analysis (MD&A).

The information conveyed is based on the informed judgment of management with appropriate consideration to materiality. In this regard, management maintains a system of accounting and reporting that provides the necessary internal controls to ensure transactions are properly authorised and recorded, assets are safeguarded against unauthorised use or disposal and liabilities are fully recognised. Importantly, the system of control is continually reviewed for its effectiveness and is supported by written policies and guidelines, qualified personnel, strong internal audit and risk assessment procedures.

The MD&A is presented to enable readers to assess the operational results and financial condition of the Group for the year ended September 30, 2019, compared to prior years. The MD&A should be read in conjunction with our audited consolidated financial statements and related notes for the year ended September 30, 2019 ("financial statements"), which are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). From time to time the MD&A may contain forward-looking statements, which include, but are not limited to, our 2020 outlook, 2024 strategic plan and expectations related to general economic conditions, market trends and anticipated impact on business segments. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from the forward-looking statements. Unless otherwise indicated, all amounts are expressed in Jamaican dollars.

CORPORATE OVERVIEW

THE COMPANY

NCBFG is a non-operating financial holding company that was incorporated in April 2016. It currently has three subsidiaries: National Commercial Bank Jamaica Limited ("NCBJ"), NCB Global Holdings Limited ("NCBGH") and the Clarien Group Limited ("Clarien").

The Group is the largest financial services organisation in Jamaica measured by profitability and total assets and is also one of the most profitable financial groups in the Caribbean. The Group operates in the financial services industry providing facilities mainly in banking, insurance and investment management operating through 21 territories in the Caribbean. Our organisation operates its business through seven segments offering a wide array of financial products and services to our customers, including loans, deposits, electronic banking, payment services, structured finance, trade finance, foreign exchange, wealth management, insurance, pension fund management, annuities and trust services. Additionally, our customers have access to self-service banking options at NCBJ's financial kiosks and intelligent ABMs in the Bank on the Go locations in Jamaica; likewise other financial services are offered through any of our subsidiaries' online channels. Our Group is customer focused and dedicated to providing a superior customer experience through our various delivery channels.

NCB Financial Group Limited trades under the symbol "NCBFG" on the Jamaica Stock Exchange and Trinidad & Tobago Stock Exchange. More details on NCBFG may be found on our website www.myncb.com.

CLARIEN GROUP LIMITED

In December 2017, NCBFG acquired a 50.1% majority stake in Clarien Group Limited incorporated in Bermuda, owner of Clarien Bank Limited (CBL). The remaining shareholding is held by funds managed by Portland Private Equity

Direct Subsidiaries of NCB Financial Group Limited

SUBSIDIARY	PRINCIPAL ACTIVITIES	PERCENTAGE OWNERSHIP
Clarien Group Limited (Clarien)	Banking, investment and trust services	50.10
NCB Global Holdings Limited (NCBGH)	Holding company	100
National Commercial Bank Jamaica Limited (NCBJ)	Commercial banking	100

The full list of subsidiaries can be found in note #1 of the financial statements, **pages 150 and 151**

NCBFG Business Segments

OPERATING ACTIVITIES	SEGMENTS	SUBSIDIARY
Banking and Investment Activities	Consumer & SME - Retail & SME	National Commercial Bank Jamaica Limited Clarien Group Limited[1]
	Consumer & SME - Payment Services	
	Corporate Banking	
	Treasury & Correspondent Banking	
	Wealth, Asset Management and Investment Banking	NCB Capital Markets Limited
		NCB Capital Markets (Cayman) Limited
		NCB Global Finance Limited
		NCB Capital Markets (Barbados) Limited
		NCB (Cayman) limited
		Clarien Group Limited
		Guardian Holdings Limited
Insurance Activities	Life and Health Insurance & Pension Fund Management	NCB Insurance Company Limited and Guardian Holdings Limited
	General Insurance	Guardian Holdings Limited and Advantage General Insurance Company Limited[2]
Other	Other	All other subsidiaries not named above

1. Clarien's banking results are predominantly in the commercial & consumer and treasury & correspondent banking segments.
2. AGIC was sold on September 30, 2019; however the full year's income statement results were included in the consolidated income statement results for NCBFG.

(17.92%) and Edmund Gibbons Limited (31.98%). Clarien's major subsidiary, CBL, is licensed by the Bermuda Monetary Authority to conduct banking, investment and trust business and is one of the largest independent, privately-owned integrated financial services organisations in Bermuda. This acquisition was the first step in the execution of our regional growth strategy and extended our footprint to one of the world's premier financial jurisdictions. Bermuda is respected as a stable, sophisticated legal and regulatory jurisdiction, well equipped to meet the needs of international high net worth individuals and institutional clients, which complements our wealth management operations. Clarien provides personal, commercial, private and corporate banking products and services to individuals and corporations, and a full range of investment and asset management products and brokerage services through Clarien Investments Limited. Clarien is well positioned to become a regional leader in financial services and wealth management.

NCB GLOBAL HOLDINGS LIMITED

NCBGH, a holding company incorporated in Trinidad and Tobago, currently owns a majority stake in Guardian Holdings Limited (GHL). NCBGH previously owned 29.974% of the outstanding shares of GHL, which were acquired in May 2016; however, consistent with the Group's regional expansion aspiration, an additional 31.993% of the outstanding shares in GHL were acquired in May 2019 combining for a majority stake of 61.967%. Having obtained a controlling interest, GHL has been accounted for as a subsidiary of the Group since May 2019, at which point we revalued the previous associate interest and discontinued reporting GHL as an associate company effective May 2019. Consequent on the majority stake, the consolidated income statement results for the financial year ended September 30, 2019 of NCBFG included five months of financial performance for GHL as a majority owned subsidiary.

The Guardian Group is the largest indigenous financial services and insurance group in the Caribbean; serving markets in 21 countries, primarily in the English and Dutch Caribbean, key among them being Trinidad & Tobago, Barbados, Jamaica, Curacao, Aruba, St. Maarten and Bonaire. GHL provides services in life and health insurance, asset management, trust services and general insurance. Through its first class products and services, GHL has earned its reputation among the leading financial institutions in the Caribbean. GHL offers its services through several subsidiaries across the Caribbean.

Within Jamaica, the main subsidiaries are Guardian Life Limited (GLL) and Guardian General Insurance Jamaica Limited (GGIJ). GLL is a wholly owned subsidiary of GHL and is regulated by the Financial Services Commission (FSC) in Jamaica. It is an assurance company offering a wide variety of life and health insurance products and services to both individuals and groups, which include large corporations. GLL serves the Jamaican market through ten branches, delivering superior service by focusing on customer needs and operational excellence. GGIJ, a wholly owned subsidiary of GHL, is a general insurance company in Jamaica offering a wide range of products and services covering personal and commercial general insurance.

Executive Summary
CONTINUED

The main subsidiaries of GHL operating in Trinidad & Tobago (T&T) are Guardian Life of the Caribbean (GLOC), Guardian General Insurance Limited (GGIL) and Guardian Asset Management and Investment Services Limited (GAMIS). GLOC is a dynamic insurance and financial institution in the region, with an unfailing reputation spanning over four major territories in the English and Dutch Caribbean. GLOC also has operations in Curacao and Aruba and is now the largest insurance provider in the region with over 250,000 policies and assets in excess of TT$3.5 billion under management. GGIL is the largest indigenous property and casualty insurance company in the Caribbean, with operations spanning 21 territories. GAMIS is an investment company licensed as a Broker Dealer, Investment Advisor and Underwriter regulated by the Trinidad & Tobago Securities & Exchange Commission (TTSEC). GAMIS offers unique professional facilities that include investment and portfolio management services. The company also acts as a distributor of mutual funds for Guardian Group Trust Limited. With its specialised mix of both Private Wealth Executive Services and Mutual Funds, GAMIS offers asset allocation, diversification and frequent re-balancing of portfolios, building blocks that form the foundation of any sound long-term investment strategy. GAMIS is committed to ensuring that its customers' goals are met, whether it be saving for retirement or preparing for a child's education.

Another main subsidiary of GHL serving the Caribbean is Fatum Holdings (Fatum). Fatum is prominent in the field of non-life, life and health insurance for private and business markets of the Dutch Caribbean, including Aruba, Bonaire, Curacao, St. Maarten and the Netherlands.

NATIONAL COMMERCIAL BANK JAMAICA LIMITED

NCBJ is a deposit taking institution incorporated in Jamaica and licensed under the Banking Services Act. NCBJ is regulated and supervised by the Bank of Jamaica (BOJ) and currently has eleven subsidiaries. NCBJ offers banking services to individual consumers, small and medium sized enterprises, large corporations, financial institutions and government institutions. One of the main wholly-owned subsidiaries of NCBJ is NCB Insurance Company Limited (NCBIC); a licensed life insurance company also offering investment management and pension fund administrator services. Another wholly owned subsidiary is NCB Capital Markets Limited (NCBCM), a licensed securities dealer, investment advisor and Unit Trust Management Company. NCBCM is the wealth, investment banking and asset management arm of NCBJ, offering investment options and advice for institutions and individuals.

NCBJ and its subsidiaries are Jamaica's largest and most profitable banking and financial services group, based on net profit and total assets. NCBJ and its subsidiaries primarily operate in Jamaica, but also offer services in the Cayman Islands, Trinidad & Tobago, Barbados and the United Kingdom.

On September 30, 2019, NCBCM finalised the sale of its 100% stake in Advantage General Insurance Company Limited, a licensed general insurance company.

NCBJ serves its clients with an island-wide network of branches servicing all 14 parishes in Jamaica. NCBJ also serves its customers through an extensive network consisting of 32 branches, 5 agencies, over 320 ATMs and financial kiosks island-wide and over 19,000 point of sale machines, with its head office located in Kingston and a regional office in Montego Bay. Also, NCBJ currently provides financial services to just over a million customers.

Credit Ratings

Each year the Group is rated by independent regional and international credit rating agencies. Rating agencies provide an independent assessment of the financial strength and credit quality of each company. Each rating agency uses its own methodology and scale to calculate its rating at a given point in time.

TABLES 1 & 2 provide the latest public rating for NCBFG and its main subsidiaries.

Table 1: NCBFG Rating

RATING AGENCY	TYPE OF RATING	RATING ACTION		OUTLOOK
CariCRIS	Issuer/Corporate Credit Rating	Regional Scale	*Cari***A+** (local currency)	Stable
			*Cari***A** (foreign currency)	
		National Scale	*jm***AAA** (local currency)	
			*jm***AA+** (foreign currency)	

Source: CariCRIS Rating Release – NCB Financial Group Limited, October 1, 2019

EXECUTIVE SUMMARY

On October 1, 2019, Caribbean Information and Credit Ratings Services Limited (CariCRIS) upgraded the rating of NCBFG. The regional scale Issuer Rating was upgraded to Cari**A+** (local currency) and Cari**A** (foreign currency) and the Jamaican national scale rating of jm**AAA** (local currency) and jm**AA+** (foreign currency) was reaffirmed. The regional scale rating indicated NCBFG's creditworthiness was adjudged as good in relation to other issuers in the Caribbean, while the Jamaican national scale rating indicated NCBFG's creditworthiness was adjudged as the highest in relation to other issuers in Jamaica. CariCRIS assigned a stable outlook on the reported rating, indicating it reflects the view that the Group's financial performance will continue to be strong over the next 12-15 months, as the loan portfolio of NCBJ continues to expand, spurred by improved economic activity in Jamaica. The CariCRIS NCBFG Rating Release noted that, "CariCRIS expects NCBFG to benefit materially from its investment in NCB Global Holdings Limited and from the several business development initiatives being pursued across the Group". The Release emphasised that the rating was supported by the Group's emerging dominance in the regional financial services industry along with its leading market share in the Jamaican commercial banking industry coupled with strong presence in the securities and insurance industries. CariCRIS also specified the rating was supported by sustained financial performance underpinned by diverse and resilient income streams, continued asset growth and comfortable capitalisation levels.
The opinions expressed by rating agencies on our creditworthiness and that of our obligations or securities (including long-term debt, short-term borrowings, and asset securitisations) are based on independent analyses and financial modelling. Our credit ratings are subject to reviews by the rating agencies where a number of quantitative and qualitative factors are considered including financial

Table 2: Subsidiary Ratings

SUBSIDIARY	RATING AGENCY	RATING ACTION		OUTLOOK
NCBJ	CariCRIS	Regional Scale	*Cari***A** (local currency)	Stable
NCBJ	CariCRIS	Regional Scale	*Cari***A-** (foreign currency)	Stable
NCBJ	CariCRIS	National Scale	*jm***AA+** (local currency)	Stable
NCBJ	Fitch Ratings	Long-term and Short-term Issuer Default Ratings (IDRs)	**'B+'** (foreign and local currency)	**Stable**
NCBJ	Fitch Ratings	Viability Rating	**'b+'**	**Stable**
NCBJ	Fitch Ratings	Support Rating	**'4'**	**Stable**
NCBJ	Fitch Ratings	Support Rating Floor	**'B+'**	**Stable**
NCBJ	Fitch Ratings	Going Concern Assessment	**GC1**[2]	**Stable**
NCBJ	S&P Global Ratings	Issuer Credit Rating	B+/Stable/B	Stable
NCBCM	CariCRIS	Regional Scale Issuer/Corporate Credit Rating	*Cari***A-** *(local currency)*	Stable
NCBCM	CariCRIS	Regional Scale Issuer/Corporate Credit Rating	*Cari***BBB+** *(foreign currency)*	Stable
NCBCM	CariCRIS	National Scale	*jm***AA-** *(local currency)*	Stable
NCB Cayman	CariCRIS	Regional Scale	*Cari***A** (foreign and local currency)	Stable
NCBCMB	CariCRIS	Regional Scale Issuer/Corporate Credit Rating	Cari**BBB-** (foreign and local currency)	Stable
NCBIC	AM Best	Financial Strength Rating	B (Fair)	Stable
NCBIC	AM Best	Long-term Issuer Credit Rating	bb	Stable
GHL* (Insurance composite)	AM Best	Long-term Issuer Credit Rating	bbb- u[3]	Negative
Guardian General Insurance Limited (T&T)	AM Best	Financial Strength Rating	A- u[3]	Negative
Guardian General Insurance Limited (T&T)	AM Best	Long-term Issuer Credit Rating	a- u[3]	Negative
Guardian Life of the Caribbean (T&T)	AM Best	Financial Strength Rating	A- u[3]	Negative
Guardian Life of the Caribbean (T&T)	AM Best	Long-term Issuer Credit Rating	a- u[3]	Negative

2. GC1 theoretically allows the maximum rating uplift from NCBJ's IDR pursuant to Fitch's future flow methodology and reflects NCBJ's position as Jamaica's largest bank and a systemically top-tier bank with around 37% of system assets and 33% of total deposits. (FitchRatings Press Release – August 21, 2019) **3.** The symbol "u" denotes an AM Best's rating that is currently "Under Review", which indicates a previously published rating has the potential for a near-term change.

Executive Summary
CONTINUED

strength, performance, prospects, operations, asset quality, capitalisation and liquidity position as well as factors not under our control. Other factors that influence our credit ratings include changes to the rating agencies' methodologies; the rating agencies' assessment of the general operating environment for financial services companies; our relative positions in the industry; applicable sovereign credit ratings; current and future regulatory and legislative initiatives; the agencies' views on whether the relevant governments would provide meaningful support to our organisation in a crisis; our various risk exposures and risk management policies; our reputation; diversity of funding sources and funding costs; the current and expected level and volatility of our earnings; our capital position and capital management practices; and our corporate governance. The rating agencies can adjust our ratings at any time and they provide no assertions about the maintenance of our ratings at current levels. Our organisation maintains active discourse with these major rating agencies and it is our objective to preserve high-quality credit ratings through outstanding financial performance.

Performance Measurement

When it comes to performance measurement, specific targets are outlined in the Group's strategic plan and the Group is measured against these internal targets alongside country specific and international benchmarks. A diverse set of key performance indicators (KPIs) were defined and used to drive performance, challenge the status quo and ensure that the team will deliver better results for our business. We monitor our strategy using both financial and non-financial measures covering areas that are important to all stakeholders including customers, employees, communities and shareholders. Individual strategic targets were then developed for each business unit and at the unit level the management team was responsible for managing the risks and performance of the unit and reported the results to the senior and executive management team. New initiatives which occur in the financial year should include a benefits realisation plan with defined metrics which are then captured in the Group's performance management processes.

Our financial measures include quantitative targets for net profit, revenue, cost optimisation, digitisation, core balance sheet portfolios, return on assets, return on equity, market share, capital management and strength, liquidity, risk management and operating efficiency. Our non-financial targets include but are not limited to objectives in the areas of customer service, customer satisfaction, customer loyalty, sales effectiveness, innovation, product penetration, efficiency improvements, optimising our branch network, employee satisfaction, employee engagement, organisational health, regional expansion, corporate governance, corporate social responsibility and community involvement.

Our senior and executive management team monitors some performance metrics and forecasted performance on a weekly basis to proactively manage the business and our overall performance is assessed as frequently as required to respond to changes in our environment. The performance reports include forward looking projections to ensure prudent and timely decision making. Additionally, forecasting and planning is done each year to assist the leadership team in effectively managing the business. We actively pursue our strategic imperatives and review outcomes using defined strategic measures to ensure alignment with the overall mission of the organisation.

Financial Snapshot

TABLE 3: FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

(in millions, except per stock unit amounts)	2015	2016	2017	2018	**2019**	**% Change Financial Year 2019 vs. Financial Year 2018**	**Five-year compounded annual growth rate (CAGR)**
	For the year ended September 30						
Consolidated Income Statement Extract							
Banking & Investment Activities							
Net interest income	25,964	28,124	29,760	35,144	**44,595**	27%	13%
Credit impairment losses	(1,879)	(612)	(729)	(1,961)	**(4,825)**	146%	15%
Net interest income, net of impairments	24,085	27,511	29,030	33,184	**39,770**	20%	12%
Net fee & commission	9,715	10,889	13,816	15,864	**19,180**	21%	17%
Gain on foreign currency and investment activities	3,753	4,736	7,726	15,611	**14,796**	(5%)	38%
Net result from banking & investment activities	**37,855**	**43,423**	**51,097**	**65,818**	**76,134**	**16%**	**17%**
Insurance Activities							
Net underwriting income	7,254	7,534	7,648	8,759	**48,155**	450%	49%
Policyholders' and annuitants' benefits and reserves	(3,370)	(3,775)	(4,180)	(4,731)	**(27,306)**	477%	47%
Net result from insurance operations	**3,641**	**3,513**	**3,240**	**3,797**	**14,432**	**280%**	**43%**
Operating income	**41,496**	**46,936**	**54,337**	**69,615**	**90,565**	**30%**	**20%**
Staff costs	11,942	13,809	16,461	23,776	**32,121**	44%	16%
Other operating expenses, including depreciation & amortisation	13,552	15,031	16,717	19,652	**32,616**	18%	13%
Net profit	12,302	14,449	19,108	28,581	**30,692**	7%	20%
Net profit attributable to stockholders of the parent	12,302	14,449	19,108	27,959	**29,576**	6%	19%
Earnings per stock unit ($)	5.00	5.87	7.76	11.39	**12.18**	7%	19%
Dividends paid per stock unit ($)	2.31	2.35	2.70	2.70	**3.40**	26%	24%
Consolidated Statement of Financial Position Extract (at year end)							
Investment securities	275,988	275,670	299,177	389,490	**759,496**	95%	24%
Net loans	165,405	189,056	218,615	372,635	**423,103**	14%	22%
Total assets	523,815	607,669	693,724	978,585	**1,610,101**	65%	26%
Customer deposits	227,851	273,966	288,464	484,848	**504,679**	4%	20%
Repurchase agreements	100,004	105,975	115,587	152,885	**174,620**	14%	5%
Liabilities under annuity and insurance contracts	34,689	35,283	36,185	38,093	**385,396**	912%	62%
Other borrowed funds	8,595	12,061	38,650	65,559	**124,953**	91%	60%
Equity	88,394	103,105	115,994	139,584	**187,034**	34%	18%
Equity attributable to stocholders of the parent	88,394	103,105	115,994	130,041	**147,297**	13%	12%
Equity to total assets	16.88%	16.97%	16.72%	14.26%	**11.62%**		

Financial Snapshot
CONTINUED

TABLE 4: KEY RATIOS AND PER STOCK UNIT DATA

	Year ended September 30				
	2015	2016	2017	2018	**2019**
Profitability ratios					
Return on average total assets	2.40%	2.55%	2.94%	3.34%	**2.29%**
Return on average equity	14.45%	15.09%	17.44%	22.73%	**21.33%**
Income from banking activities to operating income	91.23%	92.52%	94.04%	94.55%	**84.07%**
Net insurance results to operating income	8.77%	7.48%	5.96%	5.45%	**15.93%**
Cost to income ratio	58.78%	60.65%	60.25%	60.68%	**67.87%**
Insurance loss ratio	47.06%	50.47%	55.19%	54.62%	**61.28%**
Per stock unit data					
Dividend payout ratio (based on payment date)	46.20%	40.03%	34.79%	23.71%	**27.91%**
Dividend yield	8.33%	5.66%	3.10%	2.17%	**1.63%**
Book value (J$)	35.91	41.89	47.12	52.74	**61.47**
Market Price - Jamaica Stock Exchange (JSE)					
High	J$31.02	J$45.00	J$94.99	J$130.00	**J$249.00**
Low	J$17.00	J$27.50	J$58.50	J$84.01	**J$110.11**
Year end - close	J$27.72	J$41.55	J$87.02	J$124.52	**J$208.79**
Market Price - Trinidad and Tobago (TTSE)					
High	TT$1.95	TT$2.85	TT$5.25	TT$6.75	**TT$10.71**
Low	TT$0.98	TT$1.67	TT$2.58	TT$5.05	**TT$5.73**
Year end - close	TT$1.63	TT$2.60	TT$5.10	TT$5.73	**TT$10.44**

2019 PERFORMANCE OVERVIEW

For the 2019 financial year we continued execution under our strategic plan **NCB 2.0 by 2020, faster | simpler | stronger**. We implemented initiatives to support the Group "setting the **'BAR'** in the financial services industry", and undertook plans consistent with the three themes (BAR), which are driven by six initiatives:

- Building a world-class digital experience
  1. Develop distinctive digital capabilities
- Accelerating regional expansion
  2. Expand in priority markets
- Reinventing our core business
  3. Enhance sales and service excellence
  4. Focus on payments innovation
  5. Develop and engage our people
  6. Improve customer experience and optimise efficiency

Our strategic focus to drive the implementation of these initiatives resulted in the Group establishing a strong foothold in some of the Caribbean's most promising markets thereby solidifying NCB Financial Group's aspiration to become a world-class financial institution across the region. This diligence allowed us to achieve one of our main targets of exceeding net profits of US$200 million in the 2018 financial year coupled with the completion of key regional expansions in the 2019 financial year.

In summary, our cross-border initiatives geared towards the strengthening of our regional status resulted in our organisation producing another record-breaking performance for 2019. The Group recorded net profit attributable to shareholders of the company of $29.6 billion, our highest annual profit. The acquisition of GHL catapulted our asset base to record levels with total assets increasing by 65% over the prior year to $1.6 trillion, giving rise to a return on average assets of 2.29%. Equity attributable to shareholders of the company increased to $146.6 billion, an increase of 13% or $16.5 billion, with return on average equity of 21.33%.

JAMAICA

A key element in our strategy for our Jamaican entities has been our continued dedication to digital transformation and the enhancement of the core business. It is this commitment that motivated the upgrade and modernisation of our core banking and online banking platforms implemented in May 2019. We also embarked on the upgrade of other key systems across the Group, which included our payment services (debit and credit cards) platform, insurance, procurement and accounting systems. The investments made in the systems and technology infrastructure have given our customers access to additional products, banking and payment services. This has also allowed us to redirect resources for more value creation activities. These improvements have contributed to reduced transaction times and improved efficiency, which has strengthened the position of the Group. As we work on creating world-class systems we remain committed to serving our customers in a faster manner with simplified processes.

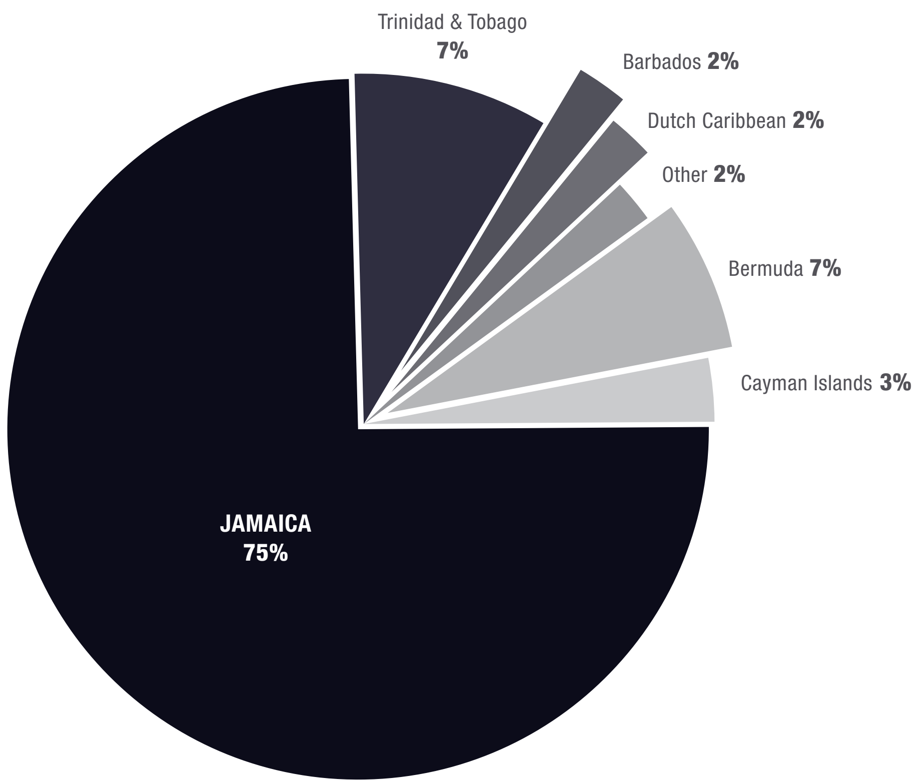
BERMUDA

Our majority stake in the ownership of Clarien enabled the Group to fortify its banking and investment segments by gaining access to the Bermudian market along with a wider cross-section of clients. In May 2019, S&P Global Ratings indicated that Bermuda's GDP per capita should reach approximately US$105,000 by the end of 2020 - one of the highest GDP per capita figures in the world. We remain focused on leveraging our expertise to capitalise on the opportunities in this important investment-grade rated market.

TRINIDAD & TOBAGO AND THE WIDER CARIBBEAN

In May 2019, GHL transitioned from an associate company to a subsidiary of the Group, following the acquisition of a majority stake. Consequently, seven months of GHL's performance was recorded based on the previous percentage ownership (29.974%) as share of profit of associate, and for the last five months of the financial year, the results for GHL were consolidated in NCBFG's financial statements. The partnership with GHL is intended to allow customers to benefit from a broader range of services provided in more efficient ways through a holistic and robust financial services platform. The acquisition has given NCBFG access to 21 markets primarily in Trinidad & Tobago, the English and Dutch Caribbean, key among them being Aruba, and St. Maarten, thus expanding our market reach. Additionally, consistent with our

GEOGRAPHICAL COMPOSITION OF OPERATING INCOME



regional expansion strategy, we have diversified a significant portion of our asset and income base outside of Jamaica.

Outlook

We successfully executed our 2020 strategy ahead of schedule and have therefore closed that strategic plan to pursue becoming a world-class Caribbean financial ecosystem. The 2020 financial year will commence our new 2024 strategic journey which involves fully integrating our subsidiaries to unleash the power of the unified Group from a single platform. We expect this financial ecosystem will strengthen our performance and enhance the Group for the benefit of our combined team, our customers, our shareholders and the territories in which we operate.

We will strive to improve customer experiences, our systems, processes and performance to be best in the region. Our aim is to serve our customers through easily accessible financial solutions which are relevant to their needs. This new aspiration is anchored by four pillars:

1. **Strong financial performance –** we will deliver world-class growth, efficiency, return of assets and return on equity.
2. **Inspired people and culture –** we will become the employer of choice, with strong organisational health, and a place where each employee is proud to be a part of the team and committed to our success as an organisation.
3. **Delighted customers –** we will be the preferred and most trusted financial partner for customers across segments.
4. **Digital to the core –** we will operate a world-class technology and analytics platform that enables fast, simple, intuitive, secure, stable and delightful digital first experiences for customers and employees.

We expect this new phase of our transformation journey to be exciting and rewarding. NCBFG will continue to strive to be better than before in all aspects of our business. We set bold aspirations to continuously evolve and transform.

Operating Environment

Economic activity in NCBFG's strategic operating environments was mixed. Jamaica, Trinidad & Tobago and Bermuda all recorded positive GDP growth for the most recent quarter before FY2019 year-end. Barbados, on the other hand, reported negative growth as the impact of fiscal consolidation on domestic demand together with on-going delays in the start of private sector investment projects eroded gains from tourism growth.

JAMAICA

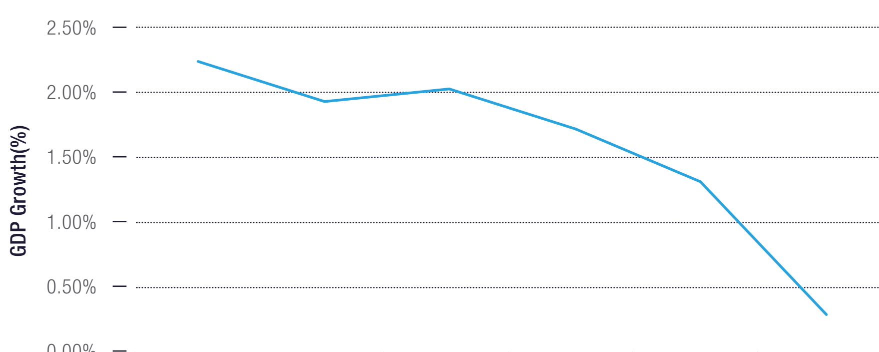
Economic Performance

As at September 2019 the Jamaican economy continued on its growth trajectory - recording 19 consecutive quarters of economic expansion. The momentum was driven by increased activity in both the goods producing and services sectors. Among the major contributors to economic activity were ongoing road expansion projects and a rebound in the mining sector on the back of a rally in global alumina prices. Increased visitor traffic to the island also allowed the tourism sector to be a major contributor. Nevertheless, the economy has been slowing; this is evident in the downward trajectory in the pace of GDP growth over the last six quarters. The softening reflects the reduction in output from the Mining & Quarrying and Construction sectors given the winding down of construction activities, as a number of the major road works come to near completion, and the temporary closure of the Alpart Refinery for major maintenance.

Estimates from the Planning Institute of Jamaica showed that the Jamaican economy grew by 0.3% for the quarter ending September 2019, a slowdown from 1.9% growth seen in the same quarter last year. The marginal growth in economic activity was fueled by the services industry which expanded by 1.2% and was supported by the strong performances of the finance & insurance services sector, as well as hotels and restaurants which both grew by 3.0% and 2.3% respectively. However, a 2.1% contraction in the goods producing industry, driven by declines in sectors such as mining & quarrying (-18.5%) and construction (-1.5%), weighed on the overall pace of growth.

The outlook for the economy remains positive, albeit subdued, with real GDP growth projected to be within the range of 0.5% to 1.5%[1] for the calendar year ending December 2019 and 0.0% to 1.0% for the 2019/20 fiscal year. An expected rebound in the agricultural industry, continued increase in finance, electricity consumption and tourism-related activities, intensification of major infrastructural works, and continued stability in the macroeconomic environment should continue to support growth. Additionally, stable inflation and low interest rates augur well for increased investment, expansion in credit and economic

Quarterly Real GDP Growth Rate 2018-2019



	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3
GDP Growth	2.20%	1.90%	2.00%	1.70%	1.30%	0.30%

Sources: STATIN, NCBCM Research

[1] Planning Institute of Jamaica

activity. Nevertheless, the downtime from the temporary closure of the Alpart/JISCO alumina refinery will continue to temper the economy's growth momentum. Other risks to the local growth forecast include the ongoing US-China trade tensions and increasing protectionist policies, which could result in slower than anticipated global economic growth. A decline in US economic growth, given Jamaica's dependence on the country for remittances, tourism, and exports, could also weigh on local economic activity.

Fiscal Performance

The Government of Jamaica continued to make good progress on its fiscal consolidation and reform efforts during the financial year. Inflows to the government's coffers also improved due to growth in tax revenues from corporates and individuals. Revenues and grants for the FY 2018/19 totaled $623.86 billion, an increase of 11.3% over the prior year. Tax revenue collections amounted to $537.46 billion, rising 8.2% year-over-year, fuelled by growing levels of employment and increased economic activity. Meanwhile, non-tax revenue amounted to $73.65 billion, which was 38.3% higher than the $53.25 billion collected in FY2017/18. This outcome was the result of receipts from customs administration fees ($5.40 billion), combined transfers of $12.73 billion from Culture, Health, Arts, Sports & Education (CHASE), the Tourism Enhancement Fund (TEF), the Jamaica Civil Aviation Authority (JCAA), and a special contribution US$156.0 million from the PetroCaribe Development Fund (PCDF).

With the buoyance in revenues, the fiscal balance as a percentage of GDP was a 1.2% surplus, a marked improvement from the 0.1% recorded in the prior year. The improvement occurred despite an 11.9% increase in expenditure to $617.93 billion. This was primarily driven by recurrent expenditure which increased to $549.12 billion from $505.24 billion in FY2017/18. The growth in recurrent expenditure came from increased spending on programmes (20.2%), compensation of employees (3.7%), and wages & salaries (2.8%). Importantly, capital expenditure also grew by 47.0% to $68.80 billion, as there was greater allocation going towards security equipment and growth inducing capital projects including major road works.

Having achieved fiscal stability with the reforms under the IMF programme, there was room in the FY 2019/20 budget to provide some stimulus to the economy. The higher tax revenue enabled the government to reach a staff level agreement with the IMF to reduce Jamaica's primary surplus target from 7% to 6% of GDP one year ahead of schedule. This resulted in the government announcing a $14 billion net reduction in taxes for the 2019/20 fiscal year. The reductions were strategically focused on taxes that are perceived to be a nuisance (particularly for the MSME sector) as well as taxes and duties that hamper the conduct of economic activity, the raising of financing, and those that dissuade persons from regularising the land titles on lots they occupy. Though the primary surplus target for FY2019/20 was reduced to 6% from 7%, to create more fiscal space to accommodate new tax incentives in the current fiscal year, a primary surplus of 6.5% should still be enough to support the gradual reduction in the sovereign's debt and interest burden.

Debt

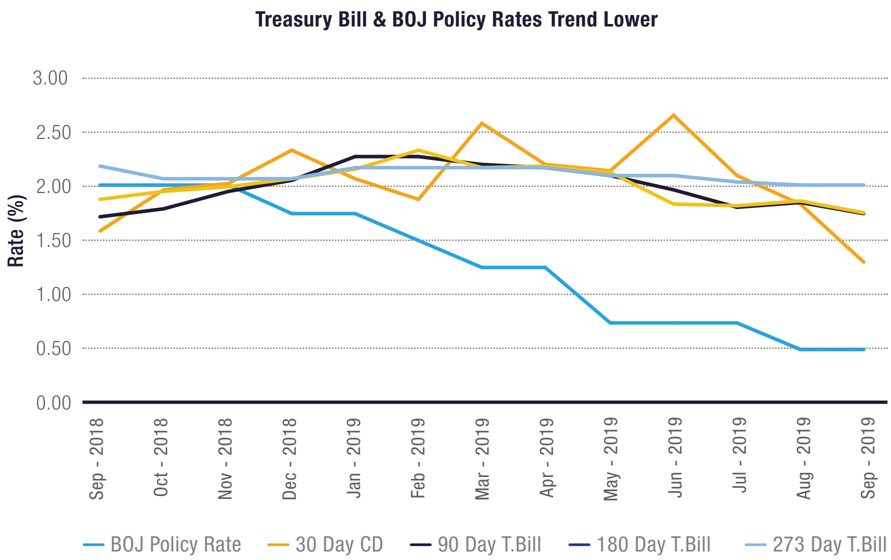
The GOJ has been actively reducing its debt levels. It successfully reduced its debt to 94.4% of GDP for FY2019, marginally above the target of 94.3% set for the period. At the end of Q1 FY2019/20, the country's total debt stock was $1.97 trillion, which was 1.6% below the total debt recorded at the same period last year. The GOJ's aim is to shrink debt/GDP to 90.3% by the end of FY2019/20. In pursuit of this, on September 10, 2019, it took advantage of favourable conditions in the international market and positive investor sentiment brought on by its successes under the IMF programme, to extend the maturity profile of its debt. The GOJ refinanced some of its debt along the shorter end of the curve with proceeds from the sale of additional GOJ 2045 bonds. Along with the extension of the government's debt maturity profile, which provides it with greater fiscal space, the series of transactions resulted in an approximate $155 million reduction in the face value of its debt.

In the coming years, GOJ's debt burden is projected to fall relative to GDP as the government has managed to rein in spending and restructure large parts of its debt.

The expected proceeds from the pending sale of state owned assets such as TransJamaica Highway and Jamaica Mortgage Bank as well as the Government's minority shares in Jamaica Public Service will also be used to pay down GOJ debt as it aims to meet its target 90.3% debt to GDP ratio by the end of March 2020.
The improvement in Jamaica's external position resulted in an upgrade of the country's credit rating by S&P from B to B+ with a stable outlook during the financial year. This rating action was triggered by the government's commitment to fiscal prudence which fosters macroeconomic stability. Furthermore, the country's external position has improved in recent years with declining indebtedness and growing international reserves, which has bolstered its resilience against external shocks.

Interest Rates

The Bank of Jamaica (BOJ) ramped up the pace of monetary policy easing, as despite the positive trajectory, growth in the local economy remained below potential and more importantly inflation remained below the Bank's target range for almost half of the financial year. A fall in commodity prices and low domestic demand conditions, relative to the capacity of the economy, have been consistently cited as the main reasons behind inflation falling outside of the Central Bank's target range. This forced the BOJ to lower its benchmark rate four times in 2019 and reduce the cash reserve requirement by five percentage points in the months of March and June, moving the ratio from 12% to 7% at the end of the financial year. Furthermore, over the course of the financial year, the BOJ lowered its benchmark policy interest by 125 basis points to 0.5%. The monetary policy easing was intended to spur economic activity and bring inflation within the target range.
The immediate impact has been a reduction in asset yields and the cost of accessing credit.



Sources: Bank of Jamaica, NCBCM Research

Inflation

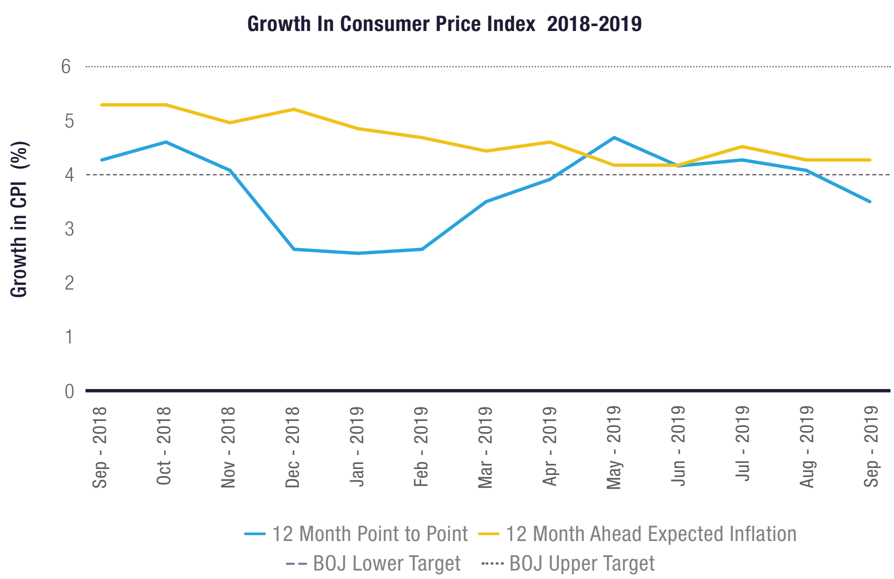
With a fair amount of 'slack' in the economy and low commodity prices, inflation remained below the BOJ's medium-term target range of 4-6 percent for just under half of the financial year. Specifically, low global oil prices have resulted in periodic fall-offs in fuel prices, and domestic demand remaining below the capacity of the economy has kept inflation depressed for a significant portion of the financial year. However, the business community's expectation of 12 month inflation remained steadily anchored to the BOJ's target range throughout the financial year, suggesting that the move to inflation targeting had positively impacted the market's expectation of inflation.

For September 2019, the All Jamaica Consumer Price Index recorded an increase of 0.4%, bringing the 12 month inflation rate to 3.4%[2]. With the September outturn, inflation is now below BOJ's target range of 4%-6% for the first time since April 2019. The moderation in the pace of inflation relative to August reflected increases in the indices for "Food & Non-Alcoholic Beverage" (+0.5%), "Communication" (6.9%), "Education" (4.7%) and "Housing, Electricity, Gas and other Fuels" (+0.3%). Fluctuating prices for agricultural produce; increases in electricity, water and sewage rates and higher prices for communication services and tuition fees for the new school year were behind the increases in these indices. However, the overall impact on the CPI was tempered by lower petrol prices and air fares which led to a reduction in the Transportation index (-1.0%).

The BOJ expects that consumer prices will rise at an average 12 month rate of about 4.5% over the next eight quarters. This outlook for inflation is based on BOJ's expectations for the pass-through effects of its past monetary accommodation to prices. The impact of this is expected to be partially offset by low global growth and inflation among Jamaica's main trading partners, a fall in global commodity prices, as well as continued tight fiscal policy.

Foreign Exchange Rate

The JMD depreciated at a slower pace of 0.3% relative to the USD in FY 2019 when compared to the 4.6% depreciation seen in the 2017/2018

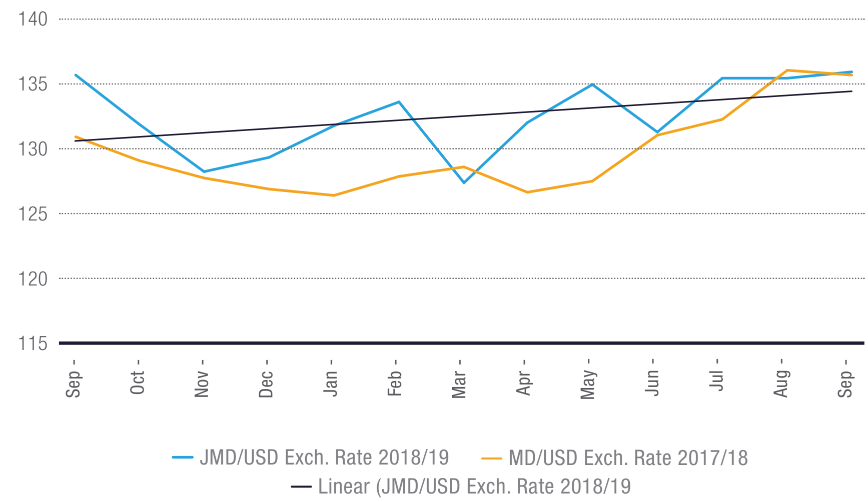


Sources: Bank of Jamaica, NCBCM Research

[2] Other rates, such as the calendar year-to-date movement and fiscal year-to-date rates were 3.7 % and 3.0%, respectively.

financial year. The slower pace of point-to-point depreciation in the currency however, masks the level of volatility in the exchange rate which was experienced during the financial year. The Central Bank increased interventions in the market with 24 injections valued at $348.50 million in FY 2019 to meet end-user demand, relative to 16 times valued at $295.85 million in the prior year. Demand was largely fuelled by end-users who sought USD to fund acquisitions, investments and other projects with much of it coming from growth sectors such as Manufacturing and Distribution. Infrastructural upgrades by other companies in a wide a cross-section of sectors also contributed to the demand for hard currency.

FX Movement



Sources: Bank of Jamaica, NCBCM Research

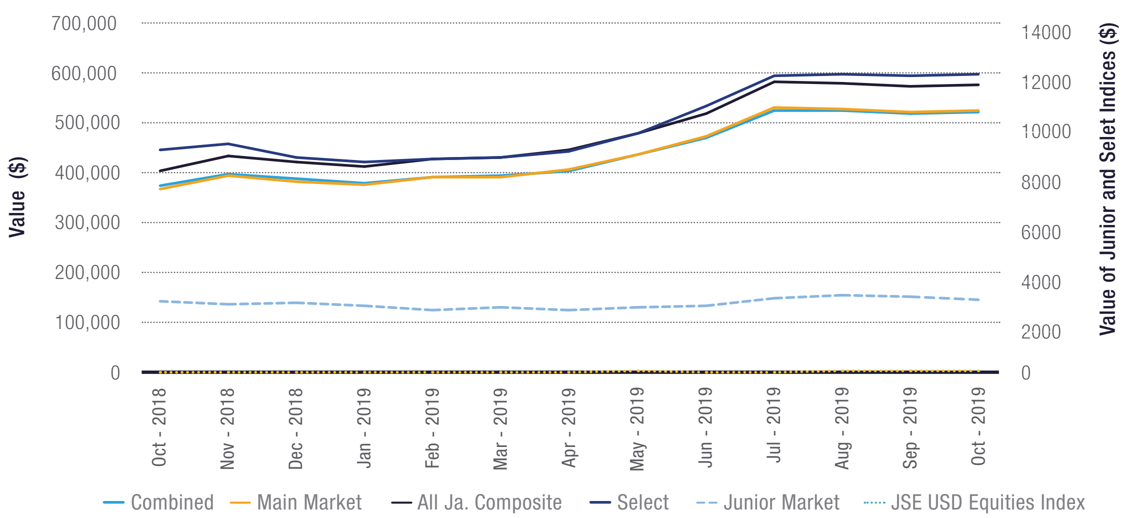
External Accounts

There was an improvement in Jamaica's current account balance in the first half of the 2018/2019 fiscal year, as the country recorded a deficit of US$183.6 million, relative to US$243 million over the same period in the prior year. This also resulted in the current account deficit as a percentage of GDP shrinking to 2.4% relative to the 3.3% that existed in FY2017/18. The outturn was due to an improvement in the balances on all sub-accounts, except the Primary Income sub-account. The most significant movement occurred in the goods & services sub-account, as export earnings grew faster than imports. This was largely driven by increased earnings from Alumina due to increases in the value and volume of exports.

Stock Market Performance

Buoyed by new listings, the downward trajectory in interest rates and reduced GOJ borrowing along with high JMD liquidity, the Jamaica Stock Exchange continued its stellar run in 2018/2019 with the combined index appreciating by 38.0% during our financial year. This was an improvement over the 20.4% growth seen last year. Macroeconomic stability and the positive outlook for the local economy, which was reflected in higher business & consumer confidence provided a favourable backdrop for the performance of local equities. Furthermore, the BOJ's accommodative monetary policy stance has continued to drive interest rates down on fixed income securities, thereby fuelling demand for assets with higher return potential. The market saw the securities of 9 new companies being listed and offers for sale of shares by Seprod and Access Financial Services during the review period. About 8 of the 10 offerings saw an appreciation in their prices during the financial year, with notable performances from Wigton (98.0%), Seprod (134.0%), and Fontana

Local Stock Market Performance



Sources: Jamaica Stock Exchange, NCBCM Research

Operating Environment

CONTINUED

(352.7%). Notably, the performance of new listings has also encouraged greater investor participation.

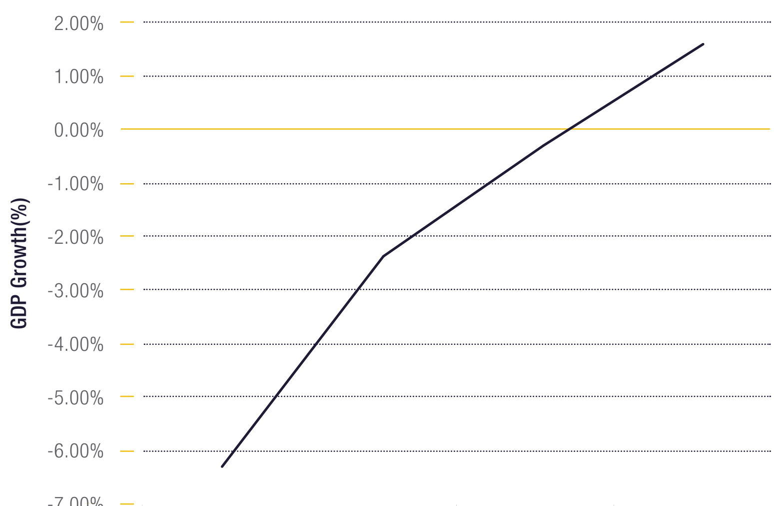
The current low interest rate environment, increased investor participation and demand for local equities along with higher market valuations should continue to support new listing and market activity. Existing companies are also expected to tap the market for funding as an alternative to debt financing. The December quarter, in particular, should also prove to be very active, as several transactions are currently in the pipeline. Improvements in company earnings from recent investments, acquisitions and partnership strategies should also fuel buying activity by investors.

Global Fixed Income Market

Emerging market bond prices trended upwards at the end of our financial year, and was mainly aided by the accommodative monetary policy by Federal Reserve when it began cutting interest rates in July 2019. The JP Morgan Emerging Market Bond Index (EMBI) and the JP Morgan Emerging Market Corporate Bond Index (CEMBI) both advanced by 5.7% and 6.3%, respectively during the review period. This is an improvement over FY2017/18 when both indices declined by 9.3% and 9.7%, given the escalation of geopolitical tensions and the resulting negative investor sentiment at the time. While geopolitical tensions continued in 2018/19, the Federal Reserve changed the policy direction cutting its benchmark rate in response to increasing risks to U.S economic growth. This resulted in a general surge in bond prices driving the emerging market bond indices higher.
At the end of September 2019, the JAMAN bonds continued to trade at relatively low yields, due to the strong price appreciation, which has been further fuelled by the upgrading of Jamaica's credit rating. The 2025's, 2028's and 2039's have appreciated by 2.1%, 9.2% and 14.2%, respectively with the most frequently traded JAMAN 2028s trading at a yield of 4.04% at the end of September, which is 222bps and 47 bps below its equally rated regional peer Costa Rica (S&P B+) and the higher rated Dom Rep (S&P BB-), respectively. We foresee the prices on JAMAN bonds remaining elevated, given the low interest rate environment and improvements in Jamaica's macroeconomic fundamentals.

We expect emerging market bonds to continue trading at relatively high yields over the medium term, given the slowdown in global economic growth, especially in developed economies. Slower economic growth in the developed world will continue to be fuelled by the persistence of geopolitical tensions, which could result in the major central banks continuing their pace of monetary easing or holding rates steady. This should result in investors continuing to show interest in emerging market assets and will therefore sustain the high yields. Nevertheless, slower growth and interest rate cuts are not unique to the developed world. Similar trends have been observed in a few frontier economies with slower GDP growth rates being recorded in the second and third quarters of 2019 for countries such as Costa Rica, El. Salvador, Jamaica, Belize, Honduras and Paraguay. The central banks in some of these countries, such as Belize, Costa Rica, Jamaica and Paraguay, have also cut interest rates. An elevation in the downside risks to economic growth in these countries could also weigh on the performance of emerging market bonds.

Trinidad & Tobago - Quarterly Real GDP Growth Rate 2018-2019



	FY 2016	FY 2016	2018 Q4	2019 Q1
GDP Growth	-6.20%	-2.30%	-0.20%	1.70%

Sources: Central Bank of Trinidad and Tobago, NCBCM Research

[3] The Central Statistical Office (CSO) is a Division of the Ministry of Planning and Development charged with the responsibility of taking censuses in the Republic of Trinidad and Tobago and collecting, compiling, analyzing and publishing statistical information relating to all social and economic activities of the people of the Republic of Trinidad and Tobago.

TRINIDAD AND TOBAGO

Economy

After contracting for 3 consecutive years, the Trinidad and Tobago economy is estimated to have grown by 1.7% for the second quarter of NCBFG's financial year (the most recent data available). The Central Statistical Office of Trinidad and Tobago[3] reported that the economy declined by 0.2% for the 2018 calendar year. The outturn represents an improvement over the previous declines of 2.3% and 6.3% in 2017 and 2016, respectively. The Ministry of Finance believes the trend is a confirmation of the stabilisation of the economy. An unexpected decline in the production of condensate, which eroded a 7.0% increase in the production of natural gas and weighed on the performance of the energy sector, were the main drivers of the downturn. Growth in 2018 was also constrained by the cessation of refinery operations in the last quarter of the year. The most recent estimate from the Central Statistics Office (CSO[4]) indicates that the economy grew by 1.7% in the June 2019 quarter buoyed by increased activity in both the energy (+3.0%) and non-energy sectors (+0.8%). In the energy sector, downstream production improved during the first quarter while Liquefied Natural Gas production remained buoyant. Most of the non-energy sectors remained subdued. However, proxies for economic activity in the construction and finance sectors are suggesting a marginal year-on-year improvement.

T&T's economic growth is expected to be flat between 0.0% and 1.3% in 2019[5]. A fall-off in crude oil production is expected to be a major factor impeding growth in the coming years. In the non-energy sector, activity is projected to be fuelled by the government's spending on capital programmes including road and other infrastructure projects during the second half of the fiscal year.

Foreign Exchange

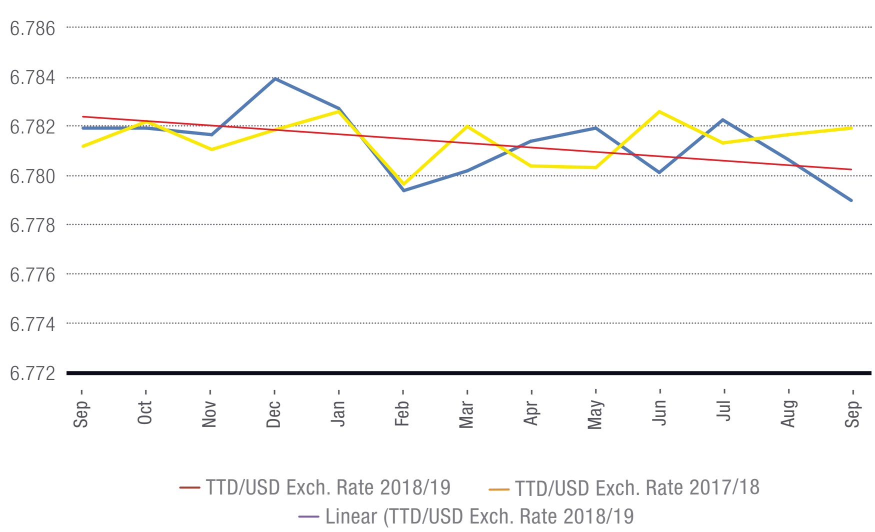
The exchange rate appreciated marginally by 0.1% to TT$6.776 to US$1 in September 2019 compared to TT$6.781 in September 2018. There was an increase in the sale of foreign currency by authorised dealers to the public. A total of US$6.08 billion was sold to the market for the 2018/19 fiscal year. Reports by dealers revealed that foreign currency sales were mainly directed to the retail and distribution sector, credit card settlement, and energy and manufacturing companies.

At the same time, purchases of foreign currency from the public (excluding Central Bank of Trinidad & Tobago (CBTT)) by authorized dealers amounted to US$4.33 billion, up 7.1% over the same period one year earlier. At the same time, CBTT's intervention resulted in the sale of US$1.51 billion to authorised dealers over the period, which was marginally lower (0.3%) than sales in the same period of the previous fiscal year (US$1.52 billion), due to higher inflows. The exchange rate should remain stable in the FY2020, as it is anticipated that the CBTT will be able to continue supporting the Trinidad & Tobago Dollar (TTD), given the shift to a more dovish stance by the U.S Federal Reserve.

External Accounts

Since 2018, the country has seen a reduction in its Balance of Payments deficit aided by an expansion of its current account surplus. The country recorded a smaller balance of payment deficit for the 2018 calendar year, which stood at US$794.7 million, down US$214.3 million from the 2017 outturn. During this period, the current account recorded its second consecutive surplus due to increased value of energy exports. Concurrently, the financial account recorded a net inflow due to transactions in the other investment category, mainly other investment liabilities such as trade credits, loans and accounts payable owed to non-residents by residents. The improvement continued into the first quarter of the 2019 calendar year with the balance of payments registering a deficit of US$224.5 million, which represents an improvement of US$157.4 million over the first quarter of 2018. The current account surplus more than doubled, aided by a 14.3% increase in non-energy exports. Meanwhile, energy exports declined by 19.0% to TT$2.00 billion in 2019. At the same time, imports contracted by 7.5% to TT$1.58 billion in 2019, due to a 31.9% reduction in the importation of fuel.

FX Movement



Sources: Central Bank of Trinidad and Tobago, NCBCM Research

[5]IMF projects the economy to grow between 0.0% and 1.3% for 2019, while S&P is projecting 2.3%.

Interest Rates

The interest rate on treasury securities has largely trended upward in fiscal 2019 following the increase in the Central Bank's repo rate to 5.0% in June 2018. However, the Central Bank held the repo rate firm at 5.0% at its last policy meeting in September 2019. Available indicators suggest that the economic recovery is not yet broad based. This along with the fact that inflation remains low, the sluggish demand for business credit, and the unrestored external balance were behind the CBTT's decision to hold the rate firm.

CBTT must keep its policy rate high to prevent capital outflows given the narrow differential between short term USD and TTD interest rates. However, it means that it has limited monetary flexibility to reduce interest rates, stimulate aggregate demand and increase economic activity. That being said, given the change in US Fed policy direction, the Central Bank should have more room to cut rates to stimulate economic activity, with less adverse effects on capital outflows.

Fiscal

There was an improvement in Central Government accounts during the first 10 months of the 2018/19 fiscal year (October 2018 – July 2019) due to higher energy and non-energy receipts, which outpaced the growth in expenditure. According to data provided by the Ministry of Finance, Central Government recorded a deficit of TT$4.8 billion in the first ten months of FY 2018/19 compared with a deficit of TT$6.0 billion in the corresponding period one year prior. Government revenue totaled TT$35.8 billion in the first 10 months of FY2018/19, as energy revenue rose by 24.7% due to higher natural gas prices. Meanwhile, non-energy receipts amounted to TT$24.5 billion from TT$23.2 billion in the prior year and were primarily due to non-tax revenue, which was bolstered by higher equity profits from the Central Bank. Inflows from capital revenue as a result of the sale of the assets of CL Financial assets, also contributed to higher revenues.

Total expenditure increased by 6.9% in the ten months to July 2019, reaching TT$40.7 billion. In particular, the Central Government incurred higher outlays on transfers and subsidies and goods and services. Spending on transfers and subsidies increased by 9.0% (year-on-year) to TT$22.7 billion, partly due to costs associated with the closure of the Petroleum Company of Trinidad and Tobago (Petrotrin). Additionally, capital spending grew by 16.4% (year-on-year) reaching TT$2.7 billion at the end of July 2019, as expenditure on several projects including the construction of hospitals and health centers accelerated during the period.

Public Sector Debt Profile

Gross public sector debt reached TT$119.8 billion at the end of July 2019, an increase of 0.6% from September 2018, net of sterilized securities[6]. Public sector debt increased to TT$101.3 billion (63.7% of GDP) at end of July 2019 from TT$95.5 billion (61.0% of GDP) at the end of September 2018 on account of disbursements from domestic and external sources. In the 10 months to July 2019, Central Government borrowed approximately TT$5.5 billion which was underwritten by local financial institutions primarily for budget financing and for expenses related to the closure of Petrotrin. In addition, debt management bills totaling TT$920.0 million were issued between May and July 2019. Principal repayments towards development loans amounted to TT$1.5 billion during the period, while TT$470.9 million of CLICO zero-coupon bonds matured in November 2018. The external debt rose to TT$25.8 billion (US$3,859.3 million) in July 2019 due mainly to disbursements geared towards strengthening the fiscal policy framework, as well as infrastructure projects.

TABLE 1: BARBADOS' TARGETS UNDER ITS EFF WITH THE IMF

	End Dec. 2018		End March 2019		End June 2019		End June 2019	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Floor on Net International Reserves	$531	$830	$707	$889	$679	$945	$901	$1,226
Ceiling on Net Domestic Assets	$1,977	$1,763	$1,992	$1,833	$2,007	$1,857	$2,006	$1,878
Floor on Primary Balance	$257	$348	$343	$354	$246	$250	$282	$418
Ceiling on CG Domestic Arrears	$495	$486	$1,246	$293	$280	$279	$254	$166

[6] Securities such as treasury bills that issued by the Central Bank for liquidity management purposes.
[7] The Central Bank of Barbados

BARBADOS

Barbados and the IMF

Having sought the assistance of the International Monetary Fund (IMF) after suspending payments on its domestic and external debt during FY2019, the Barbados government embarked on a path to restore stability to the economy with the execution of the Barbados Economic Recovery and Transformation (BERT) plan. Throughout the financial year, Barbados made good progress on its journey to economic reform and recovery, meeting the targets set under the IMF programme for four consecutive quarters (Table 1). While fiscal consolidation efforts are critical to the creation of stability, setting the foundation for growth over the medium-term and boosting investor confidence, the associated reduction in spending has been a drag on economic activity. However, with anticipated tourism growth and private investments to come on stream in 2020, the economy could see growth in the range of 1.25%-1.75%[7]. Investor confidence is expected to increase as macroeconomic conditions improve and the government draws closer to restructuring its external debt. The proposed restructuring, negotiated between the External Credit Committee and the government, will see a reduction in the aggregate principal as well as the average coupon offered to international creditors. That being said, natural disasters and slower global growth are the major downside risks to the sovereign's growth outlook.

Economy

Although tourism activity picked up in Barbados, other major economic sectors declined, which resulted in the economy registering an overall 0.6% decline in real GDP at year-end 2018. This continued into 2019 with the economy contracting 0.2% from January to September 2019 as the impact of fiscal consolidation on domestic demand, together with on-going delays in the start of private sector investment projects, eroded the gains from sustained tourism growth[8]. The construction sector continued to experience challenges in relation to the deferred start-up of a number of large projects, along with layoffs and relatively low levels of investment being reported up to September 2019. However, tourism activity grew by 9.9% due to robust growth in tourist arrivals from the US and UK markets[9]. The Central Bank of Barbados is estimating that growth will be flat in 2019. This expectation is based on the slight improvement in domestic spending during the fourth quarter as the impact of lower personal taxes takes effect.

With the expectation for continued growth in tourism and the acceleration of investment, the Central Bank of Barbados has raised its forecast for the country's 2020 economic growth from a range of 0.75%-1.25% to 1.25%-1.75%. The growth forecast also reflects the pipeline of new investment projects, mainly in tourism and alternative energy, scheduled to come on stream in 2020. However, US-China trade tensions, the increasing possibility of a no-deal Brexit that could further weaken the UK economy and other geopolitical uncertainties are all downside risks to the country's growth outturn.

Fiscal Snapshot

As it continues its fiscal consolidation efforts, the government of Barbados' fiscal surplus and primary balance were estimated at 2.8% and 4.0% of GDP[10], respectively, for the April to September 2019 period. This positive performance follows a fiscal surplus of 0.3% and a primary balance of 3.4% for April to December 2018. Increases in revenue collection, heavy cuts in transfers to state owned enterprises (SOEs)[11], and reduction in interest expense from the domestic debt restructuring, were the main sources of improvements in the fiscal balance[12]. Moreover, the suspension of commercial external debt payments in May 2018 also contributed positively to the fiscal outturn. Significant growth in inflows from property taxes (503.9%) to BBD$171.5 million, reflecting the increase in land tax rates and the early issuance of tax bills, were the main sources of a 9.0% lift in revenues to BDS$71,454.4 million. The growth in revenues was also bolstered by improvements in personal income tax, value added taxes (VAT), fuel tax, room rate levy, and foreign exchange fee. Expenditures decreased by 11.8% year over year for September 2019 aided by reduction in debt servicing expenses and below-budget capital expenditure.

At the end of September 2019, gross public sector debt had fallen to 120.9% of GDP, due to the government reducing arrears through continuing tax refund payments. The improved fiscal performance and domestic debt restructuring enabled the government to place emphasis on honouring amortization payments on external multilateral debt, settling domestic arrears, and redeeming restructured bonds. Furthermore, the recent agreement between the Government of Barbados (GOB) and its external creditors will also assist in reducing the debt stock by decreasing the aggregate sum of the original principal amount of the debt obligations and past due and accrued interest as of October 1, 2019 by 26.3%. If the GOB is able to successfully execute on the agreement this would result in the debt/GDP decreasing, conservatively, below 112.1%[13].

The GOB is expected to continue its fiscal consolidation efforts as it reduces transfers to SOEs and benefit from lower interest payments on its domestic and external debt. In particular, interest payments are expected to fall from 8.1% of GDP in FY2017/18 to 3.0% in FY2019/20 and remain at relatively low levels over the coming years as a result of the debt restructuring program. Of note however is that the Barbadian economy remains heavily reliant on tourism from the US and the UK, therefore, an economic downturn in either will decrease activity within the tourism sector and consequently the

[8] Central Bank of Barbados: Quarterly Economic Review, July- September 2019.
[9] Long-stay arrivals for the period grew by 4%. The UK was up by 9%, while the US, 10%.
[10] These figures are higher than fiscal and primary surplus of 0.2% and 2.8% reported September 2018.
[11] Transfers to SOEs fell by 25% over the comparable period in FY2018/19.
[12] Interest expenditure fell to 8.4% of revenues from 20% in 2018 and almost 32% in 2016
[13] The projected debt/GDP was calculated using only a 26.3% reduction in the principal amount.

flow of revenues into the Government's coffers. As such, the unresolved US-China trade war and an unresolved Brexit negotiations continue to be the main downside risks facing Barbados and its fiscal performance going into FY 2019-20.

Ratings

On November 16, 2018, S&P Global Ratings lifted Barbados' long- and short-term local-currency sovereign issuer credit ratings to B-/B from SD/SD, or selective default, after the country's government completed its local-currency debt exchange, which is expected to lower the sovereign's debt burden. The rating agency also assigned a stable outlook. The stable outlook on the local currency rating balanced the new administration's strong mandate to implement broad fiscal and macroeconomic reforms with political and economic challenges of doing so. S&P expects the government to formulate and implement new policies over the subsequent 12 to 18 months, designed to boost efforts towards fiscal consolidation and macroeconomic stability. The debt exchange and fiscal consolidation plans put forward by the state, are expected to lead to both decreasing debt and interest burden over the forecast horizon, although the expectation was that high debt levels would continue to constrain creditworthiness.

BERMUDA

Economic Update

For the first three quarters of the financial year, the Bermudian economy expanded, gaining momentum as the year progressed. For Q4 2018, Bermuda registered modest growth of 1.5% but accelerated to 3.7% and 3.3% in the March and June quarters respectively. December's quarterly growth was driven by buoyancy in net exports (24.8%) aided by strong growth in services exports. The resurgence in the insurance and reinsurance sector, which was depressed by natural disasters in late 2017, aided by an expanding financial services sector, boosted services exports. The data also showed that there was a steady expansion of the tourism sector. Moreover, increased international business registrations and strong growth in construction (+15.6%) aided by new residential construction, civil works (road and bridge refurbishments), as well as, continued work on the airport project and new hotel developments were behind the faster pace of growth toward the end of the first half of the year.

Going into 2020, Bermuda will face several external threats however, with one of the most significant being the introduction of economic substance requirements made mandatory by the European Union[15]. This could weigh on the country's growth prospects by slowing the growth of the offshore sector. A slowdown in US growth also poses a major risk to the GDP forecast for Bermuda. The unresolved US-China trade tensions could easily put a damper on the growth prospects of Bermuda for 2019 as it would weigh directly on US consumer spending, which would ultimately put downward pressure on the tourism industry and services trade. Despite these looming threats, there is still optimism for the Bermudian economy. Growth could stem from increased tourist arrivals, continued capital investment in the various construction projects and sustained demand for financial services, in particular insurance.

Fiscal Snapshot and Debt Dynamics

Revenues for the twelve month period, April 2018 to March 2019, were budgeted to grow 4.6% (or US$47.50 million) to US$1,089.86 million. At the same time, the government programmed a modest (0.2%) increase in expenditure for the period which was expected to yield a budget deficit of US$89.71 million (1.4% of GDP), down from US$134.7 million (2.91% of GDP). The growth in revenues is a direct result of the introduction of and increases in several taxes. A "professional services tax" on accounting and law firms was introduced and there were increased fees on cell phones as well as implementation of a government authorisation fee of 2.5% on the electronic communications industry. Additionally, there were increased taxes on commercial rents and stricter rules regarding the payroll taxes. The modest increase in expenditures came against the backdrop of increased government spending to facilitate the country's growth strategy while ensuring that the facilities and equipment necessary to deliver public services are in place.

[14] GDP at current prices.

[15] In December 2017, the European Union Code of Conduct Group assessed the tax policies of jurisdictions with no or only nominal tax (NOONs) against the criterion of 'economic substance'. The criterion stated that a jurisdiction should not facilitate offshore structures or arrangements aimed at attracting profits which do not reflect real economic activity in the jurisdiction (Deloitte, 2019).

[16] Government of Bermuda- Ministry of Finance Report 2019
[17] Money set aside to pay down long-term debt
[18] Ministry of Finance, 2019
[19] Estimate from KPMG

In the first quarter of the Bermudian fiscal year, June 2019, the most recent quarter for which information is available, revenues totalled US$266.50 million, US$6.40 million (or 2.5%) higher than in June 2018. Higher inflows from payroll taxes, passenger tax collections and collections of customs duties were the main contributory factors. Current expenditures, excluding debt service, were US$235.00 million, US$4.90 million (or 2.1%) higher than the amount spent during the same period last fiscal year. Capital expenditures for the period was US$5.20 million (or 43.8%) higher than in June 2018 with various ongoing structural refurbishment projects being the main sources of the increase. Government deficit stood at US$15.70 million (0.5% of GDP) at the end of June 2019, down from US$29.9 million (1.23% of GDP) in the previous corresponding period, which represents a 47.5% decline, year over year. This deficit was financed with working capital. No new borrowing was done during this period[16].

As at the end of June 2019, gross debt stood at US$2.58 billion (approximately 41.0% of GDP) and net of the sinking fund[17], debt was US$2.46 billion[18] (39.1% of GDP). Gross public debt is expected to decline to US$2.49 billion by March 31, 2020. In May 2019, US$100.00 million of private placement notes matured, and government pulled on the sinking fund to pay off these obligations, which reduced interest expense by US$12.10 million on an annual basis. The Government will however suspend the mandatory 2.5% annual contribution to the sinking fund as it determined that it is not fiscally prudent to borrow money to set it aside for future debt payments. The refinancing of the more expensive government bonds in November 2018, when Government executed the international bond transaction, continued to positively impact interest costs. The debt-to-GDP ratio was estimated at between 40% and 45%[19] for Bermuda's 2018/19 fiscal year. Interest on debt was 6.0% less than the same period last year.

There is evidence that the Government is committed to fiscal sustainability as a priority and is taking the necessary steps to rein in debt through refinancing and taking advantage of lower interest rates. Payments from the sinking fund will help to lower interest costs from this year into next year, and allow the island to present an overall budget surplus for the first time in many years.

OUTLOOK

Governments in our region have made good progress in terms of fiscal consolidation and reforms, laying the foundation for growth through macroeconomic stability and creating significant opportunities for financial services. In Jamaica, record low interest rates and unemployment, augur well for the demand for credit, insurance products and services and the cost of capital. Economic activity should also benefit from public spending and public-private partnerships in Jamaica, Barbados and Bermuda. These activities should also support demand for creative financial solutions. In all territories, except Trinidad, low oil prices should keep inflation low and lead to improvements in the trade balance. As a result, of the low commodity prices and overall benign conditions in world commodity markets central banks within the region have been able to accumulate sizable reserves, which should help to cushion the economies against external shocks. Furthermore, with the benchmark US policy rate is expected to remain flat during 2020, investors will continue to seek out higher yielding instruments, which should aid in the performance of emerging market asset prices.

However, there are downside risks to growth from the external environment. If global trade tensions persist, affecting levels of confidence and investment in sectors that are heavily exposed to international trade, this puts growth at risk across the region. Global growth is expected to remain weak (3.0%) with slowdowns anticipated in two of the region's main trading partners, the United States and China. Furthermore, trends in commodity prices, a key factor for the economies of Latin America and the Caribbean, show an across-the-board decline of around 5.0% in 2019 with the trend expected to continue in 2020. The unresolved Brexit process also continues to be a major source of uncertainty for the region with Barbados among the most exposed. Lower growth in developed economies such as the US and Europe could constrain tourism activity in countries such as Bermuda, Jamaica, and Barbados. However, the search for new source markets could help to temper this impact. Against this backdrop, the Economic Commission for Latin America and the Caribbean (ECLAC) anticipates a slowdown that encompasses 23 of the 33 economies of the Latin American and Caribbean region. Overall, while the regional average growth projection for 2020 is somewhat higher than in 2019, it remains subdued, at 1.3%. As we continue to deepen our footprint regionally, we will monitor these developments closely, always ready to adjust our sails to effectively manage risks and take advantage of opportunities that obtain.

Financial Performance

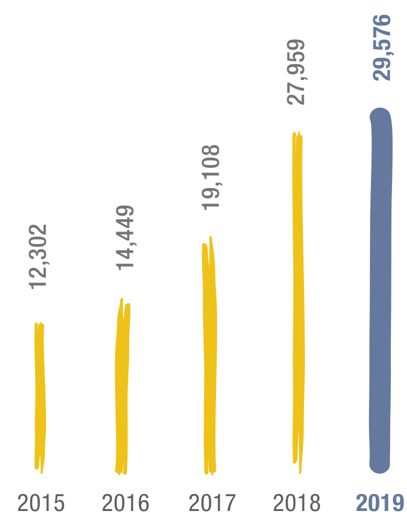
For the fourth consecutive year, we are pleased to report that we have made record net profits; earning $30.7 billion for the 2019 financial year. Net profit attributable to shareholders of NCBFG was $29.6 billion, a 6% or $1.6 billion increase over the prior year. This year has been pivotal in advancing our strategy to be a regional leader in financial services and we undertook several strategic ventures and structural changes which resulted in one-off adjustments. The main extraordinary items which impacted our performance included:

- a gain of $3.3 billion on the disposal of an associate company, JMMB Group Limited, in the first quarter,
- a provisional gain of $2.3 billion on the revaluation of the previous associate interest in GHL in the third quarter, and
- a $2.6 billion gain from the sale of AGIC.

This compares with a one-off adjustment in the previous financial year related to a gain of $4.4 billion for negative goodwill on the acquisition of Clarien and a gain of $837 million from the partial disposal of associate companies, JMMB and Elite Diagnostic Limited. Following these changes, which were key to our regional expansion strategy, we will focus on integrating our subsidiaries to become a world-class Caribbean financial ecosystem.

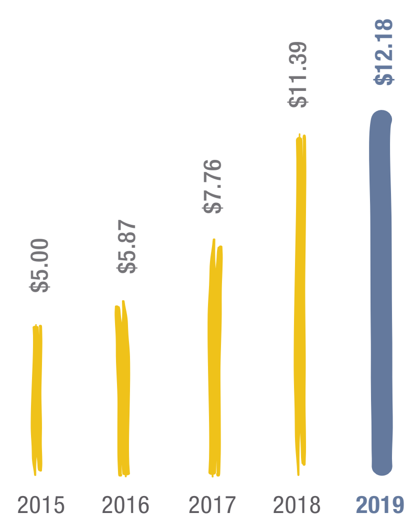
Our regional expansion coupled with projects executed in our agile labs, increased use of data analytics and the collaboration of our various business segments, enabled us to increase the velocity of our decision making thereby improving our responsiveness to changes in our operating environment allowing us to achieve operating income of $90.6 billion; an improvement of $21.0 billion or 30% when compared to prior year.

NET PROFIT* ($'M) 4 YR CAGR*: 24.5%

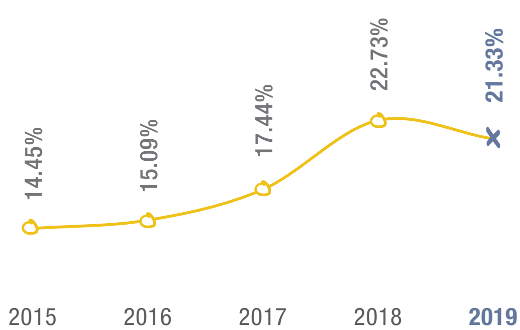


* CAGR – Compounded Annual Growth Rate

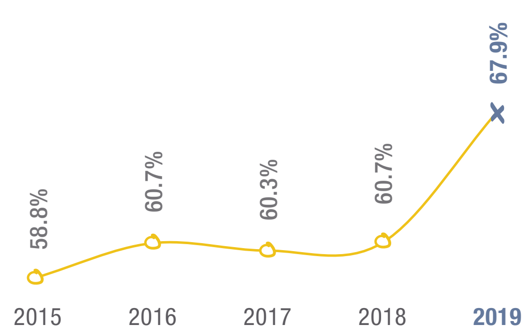
EARNINGS PER STOCK UNIT



RETURN ON EQUITY



COST TO INCOME



Operating expenses grew by $21.3 billion or 49%, to $64.7 billion. Staff costs, the single largest component of operating expenses, was $32.1 billion growing by 35%. We now employ over 4,800 persons across 21 territories compared to just under 2,800 employees in 6 countries in the prior year. Additionally, our digital strategy requires significant investments in information technology infrastructure and software. These capacity building activities continued during the year to enable key technological improvements for our customers. We also undertook renovations to physical locations to ensure the safety and comfort of our staff and customers.

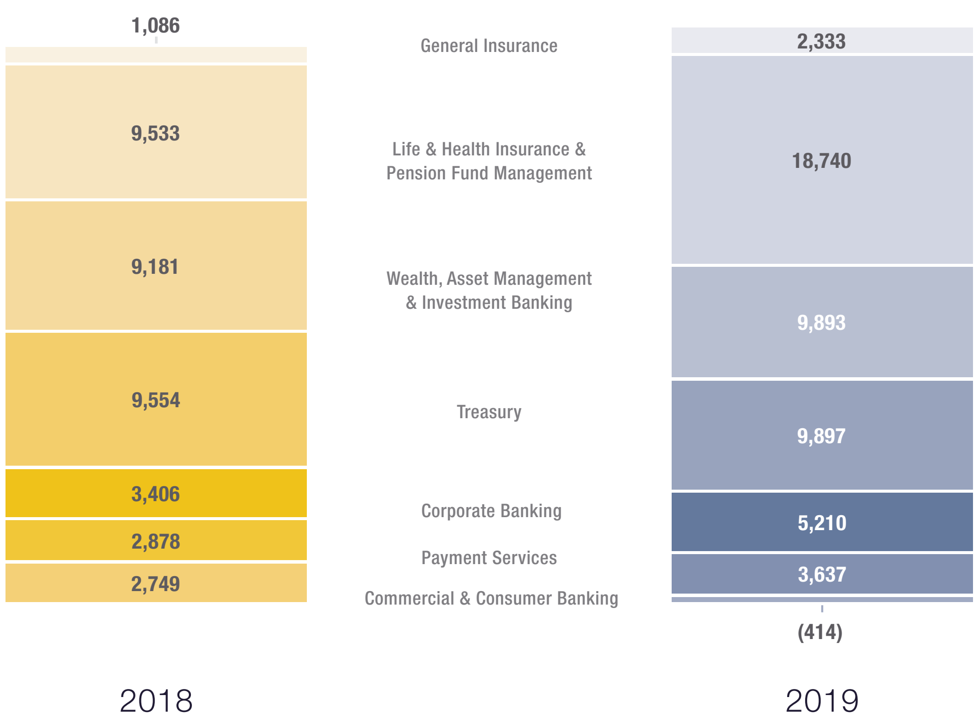
SEGMENT PERFORMANCE

We are a diverse Group and as such our operations consist of varying business segments. Our performance is managed and reported through two main types of business activities – banking & investment management and insurance, which comprise a total of seven operating segments.

The insurance segment now includes health insurance activities reported in the Life & Health Insurance and Pension Fund Management segment. Six of our seven segments recorded improved performances over the prior year. Our commercial banking segment, which includes Commercial & Consumer Banking, Payment Services, Corporate Banking and Treasury & Correspondent Banking, contributed $18.3 billion of the $28.2 billion of operating profit reported for banking & investment activities. Our insurance segment contributed a record amount of $21.1 billion of the Group's operating profit due to the consolidation of GHL. In addition to the improved performance, another benefit from our regional expansion has been the further diversification and additional growth opportunities across all our operating segments. We anticipate that access to new territories, products and services will strengthen each business segment as we collaborate to capitalise on synergies and deliver value accretive returns.

The performance of the Group continues to be assessed and reported to management using this business segment framework. Each segment is managed and evaluated on a stand-alone basis. The results of each segment reflect both direct and indirect revenues and expenses generated in the normal course of business.

SEGMENT PERFORMANCE 2019 OPERATING PROFIT ($'M)



FINANCIAL PERFORMANCE

Financial Performance
CONTINUED

COMMERCIAL AND CONSUMER BANKING

This segment serves commercial and mass market customers through operations in Jamaica and Bermuda. The segment recorded a net operating loss of $414 million, a decline of $3.2 billion from the prior year despite an increase in external revenue of $2.6 billion or 10% driven by improved net interest income. This segment is now our second largest contributor of revenues. Our Commercial and Consumer Banking segment carries the largest costs given the infrastructure and staffing requirements. Additionally, this segment has been hampered by credit impairment losses in both the Jamaican and Bermudian portfolios which have affected its performance; these impairment charges grew by

TABLE 5: SEGMENT SELECTED FINANCIAL DATA [1]

	Commercial & Consumer			Payment Services			Corporate Banking		
Year ended September 30	2017	2018	**2019**	2017	2018	**2019**	2017	2018	**2019**
Segment's Contribution of Performance (%)									
{Segment Result as a percentage of Consolidated Statement Result}									
Total revenue	27.5%	29.8%	**18.9%**	15.4%	14.5%	**9.8%**	10.1%	8.9%	**6.4%**
Net interest income	47.7%	57.1%	**51.8%**	9.6%	11.7%	**12.2%**	11.0%	10.5%	**12.5%**
Total operating income	33.4%	35.0%	**26.8%**	13.1%	12.4%	**11.3%**	8.9%	6.8%	**7.4%**
Total operating expenses	29.7%	34.6%	**24.2%**	10.6%	9.4%	**6.9%**	2.1%	1.8%	**1.3%**
Operating profit	12.7%	10.5%	**-1.6%**	10.7%	11.0%	**14.1%**	16.0%	13.0%	**20.2%**
Total assets	36.5%	38.0%	**26.1%**	3.5%	2.9%	**1.8%**	11.6%	11.5%	**7.8%**
Selected Segment Performance Indicators (%)									
Cost to income ratio	82.0%	84.8%	**86.8%**	67.9%	62.7%	**58.7%**	29.9%	27.7%	**22.1%**
Operating profit as a percentage of average assets	1.1%	0.9%	**(0.1%)**	10.7%	11.0%	**12.7%**	4.2%	3.5%	**4.4%**
Selected Segment Financial Data (in millions)									
Total revenue	20,829	29,479	**32,306**	11,686	14,354	**16,732**	7,634	8,751	**10,893**
Total operating income	18,128	24,336	**24,268**	7,132	8,602	**10,198**	4,825	4,731	**6,708**
Net interest income, net of credit impairment losses	13,487	18,968	**18,929**	2,829	3,565	**4,442**	3,267	3,643	**5,537**
Net insurance activities	-	-	**-**	-	-	**-**	-	-	**-**
Other income	4,641	5,369	**5,340**	4,303	5,036	**5,756**	1,558	1,088	**1,172**
Total direct operating expense	9,860	15,036	**15,664**	3,509	4,063	**4,447**	693	763	**853**
Staff costs	6,669	10,323	**9,777**	723	905	**1,043**	216	322	**349**
Operating profit	2,685	2,749	**(414)**	2,270	2,878	**3,637**	3,384	3,406	**5,210**
Segment assets	252,892	371,812	**420,800**	24,056	28,226	**28,996**	80,248	112,328	**126,195**
Segment liabilities	221,235	350,173	**369,548**	12,312	15,097	**17,463**	54,379	88,719	**92,742**

[1] Segment data do not give effect to the elimination of intersegment transactions.

$3.1 billion or 278% compared to prior year.

Operating expenses totalled $15.7 billion, an increase of $628 million or 4%. This was primarily driven by consolidation of three additional months of Clarien's expenses, and increased property, marketing, and depreciation & amortisation expenses. The costs allocated from support units increased substantially due to the on-going investments in technology and people across the various support areas, with one of the major projects undertaken for the year being the upgrade of the core banking and online platform.

During the year this segment also focused on strengthening our relationship and reach with Small & Medium Sized Enterprises while targeting other business customers that were previously underserved or unserved. Through optimisation strategies, many routine activities have been transferred to electronic channels in an effort to better serve our customers, improve their experience and boost efficiency.

In an effort to expand our customers' awareness of the options available within our residential mortgage business the team marketed our partnership with the National Housing Trust. This partnership along with a newly developed mortgage portal allowed us to offer a specialised financing product, and access to key tools and information best suited to the needs of those customers looking to purchase a home. Customers

Treasury & Correspondent Banking			Wealth, Asset Management & Investment Banking			Life Insurance & Pension Fund Management			General Insurance		
2017	2018	**2019**	2017	2018	**2019**	2017	2018	**2019**	2017	2018	**2019**
24.1%	21.3%	**12.3%**	16.5%	18.6%	**15.8%**	11.3%	14.2%	**30.6%**	7.8%	6.7%	**16.2%**
15.0%	11.0%	**4.7%**	12.7%	11.4%	**10.7%**	7.7%	6.2%	**18.6%**	2.4%	1.8%	**1.8%**
17.4%	16.1%	**13.0%**	15.4%	18.0%	**15.5%**	11.3%	16.3%	**28.6%**	5.8%	3.7%	**8.6%**
3.6%	3.0%	**2.1%**	7.3%	7.7%	**6.5%**	4.9%	4.1%	**11.0%**	5.4%	3.5%	**8.4%**
37.5%	36.5%	**38.3%**	28.2%	35.1%	**38.3%**	21.4%	36.4%	**72.6%**	6.4%	4.1%	**9.0%**
33.2%	30.8%	**20.5%**	27.4%	22.2%	**16.7%**	6.7%	5.4%	**28.0%**	2.1%	1.6%	**6.5%**
16.1%	15.0%	**17.0%**	28.9%	26.2%	**30.4%**	26.3%	15.8%	**27.2%**	56.7%	58.1%	**69.3%**
3.6%	3.6%	**3.1%**	3.4%	4.5%	**4.1%**	10.2%	19.1%	**7.4%**	9.6%	7.3%	**3.9%**
18,237	21,064	**21,038**	12,520	18,357	**27,022**	8,523	14,061	**52,235**	5,868	6,642	**27,652**
9,467	11,237	**11,809**	8,391	12,544	**14,079**	6,152	11,327	**25,878**	3,141	2,588	**7,798**
4,474	3,885	**2,624**	3,788	3,738	**5,115**	2,280	2,184	**7,945**	718	642	**731**
-	-	**-**	-	-	**-**	1,709	2,412	**9,598**	2,037	1,687	**5,239**
4,994	7,352	**9,186**	4,603	8,806	**8,965**	2,162	6,731	**8,335**	386	259	**1,828**
1,178	1,299	**1,388**	2,423	3,363	**4,186**	1,618	1,794	**7,138**	1,780	1,503	**5,465**
155	217	**269**	1,069	1,678	**2,028**	877	1,021	**3,309**	844	874	**2,646**
7,941	9,554	**9,897**	5,967	9,181	**9,893**	4,533	9,533	**18,740**	1,361	1,086	**2,333**
230,355	301,620	**329,569**	189,796	216,829	**269,047**	46,530	53,116	**451,176**	14,371	15,382	**104,248**
239,968	281,807	**327,938**	157,380	183,402	**223,599**	30,992	34,062	**344,879**	8,017	8,649	**75,253**

Financial Performance
CONTINUED

within the Jamaican market view home ownership as a key milestone in life and we are committed to assisting with their home purchase journey.

PAYMENT SERVICES

This segment consists of card issuing - cardholders to whom cards are issued, and card acquiring - merchants who acquire transactions when the cards are used. The segment reported increased operating profits of $759 million or 26% over prior year to earn operating profit of $3.6 billion. Payment Services recorded external revenues of $16.7 billion, an improvement of $2.4 billion or 17% over the prior year. The growth in operating income was as a result of net interest and net fee and commission income improving by $1.3 billion or 32% and $732 million or 15%, respectively, attributable to increased transaction volumes.

Total operating expenses of $4.4 billion grew by $384 million over the prior year. Allocated cost of $2.1 billion from support units increased by $453 million or 27%. During the year, we continued upgrades to our card system to improve its reliability and enhance the payment service options available to our customers. We also distributed our mobile point of sale terminals giving merchants more economical alternatives to process payments for goods and services.

CORPORATE BANKING

Our corporate banking segment earned $5.2 billion in operating profit, an increase of 53% or $1.8 billion. This segment offers banking services, including loans and other credit products, to large corporate clients. External revenues amounted to $10.6 billion, an increase of $2.5 billion or 31% over the prior year. The segment strategically focused its efforts on growing the loan portfolio regionally whilst capitalising on the improving Jamaican economy. This resulted in net interest income growing by $1.9 billion or 51%. Total operating expenses of $853 million, increased by $91 million or 12%.

TREASURY AND CORRESPONDENT BANKING

Our treasury and correspondent banking segment incorporates liquidity and investment management functions for our banking activities in Jamaica and Bermuda, foreign currency dealing activities, management of correspondent banking relationships as well as relationships with other financial institutions. The segment reported operating profit of $9.9 billion, an improvement of $343 million or 4% when compared to the prior year. This was driven by the successful strategic management of our banking operations' investment and securities portfolios in Jamaica and Bermuda, while mitigating the impact of market risks within the economy, which resulted in improved gains from investment and foreign exchange activities. Total operating expenses grew by 7% to $1.4 billion, while allocated costs from support units increased by $140 million to $524 million.

WEALTH, ASSET MANAGEMENT AND INVESTMENT BANKING

Our wealth, asset management and investment banking segment operates in Jamaica, the Cayman Islands, Trinidad & Tobago, Barbados and Bermuda, providing stock brokerage services, securities trading, investment management and other financial services. The segment registered a 3% increase in external revenues from $15.2 billion in the prior financial year to $15.7 billion. Revenue growth was supported by our growing wealth management services across the Caribbean, the consolidation of GHL's performance along with continued success in the execution of significant capital markets transactions which included the arrangement of a US$180 million bond for New Fortress Energy Ltd, by NCBCM – one of the largest transactions in the Jamaican market in 2019. These factors supported a 72% growth in net fee and commission income. This segment also had strong net interest income growth of 19% or $764 million which offset a $1.5 billion or 24% decline in gains from foreign exchange and investment activities due to stable interest rates and reduced volumes of securities in the market.

Consequently, the segment posted operating profit of $9.9 billion, representing a $712 million or 8% increase when compared to the prior year's results. We remain steadfast in our commitment to explore and introduce financial solutions to meet clients' needs and will continue to capitalise on market opportunities across the region. Our strategic alignment with emergent wealth markets and the leveraging of our track record is expected to drive product diversification while compounding this progress.

LIFE & HEALTH INSURANCE AND PENSION FUND MANAGEMENT

This segment incorporates the results of the life insurance and pension fund management services of the Group and has been expanded to include health insurance activities in the 2019 financial year. The segment achieved an operating profit of $18.7 billion which represents an increase of 97% or $9.2 billion when compared to prior year. The five months of GHL's performance boosted the results of the segment. NCBIC also had a good year; this entity benefited from improved spread performance and reserve releases. External revenues earned for the year totalled $52.2 billion, an increase of 274% or $38.2 billion, which was largely as a result of the consolidation of GHL's financials. This supported a 280% growth in net interest income to $8.3 billion. The segment's net result from insurance activities was $9.6 billion, $7.2 billion or 298% higher than the prior year.

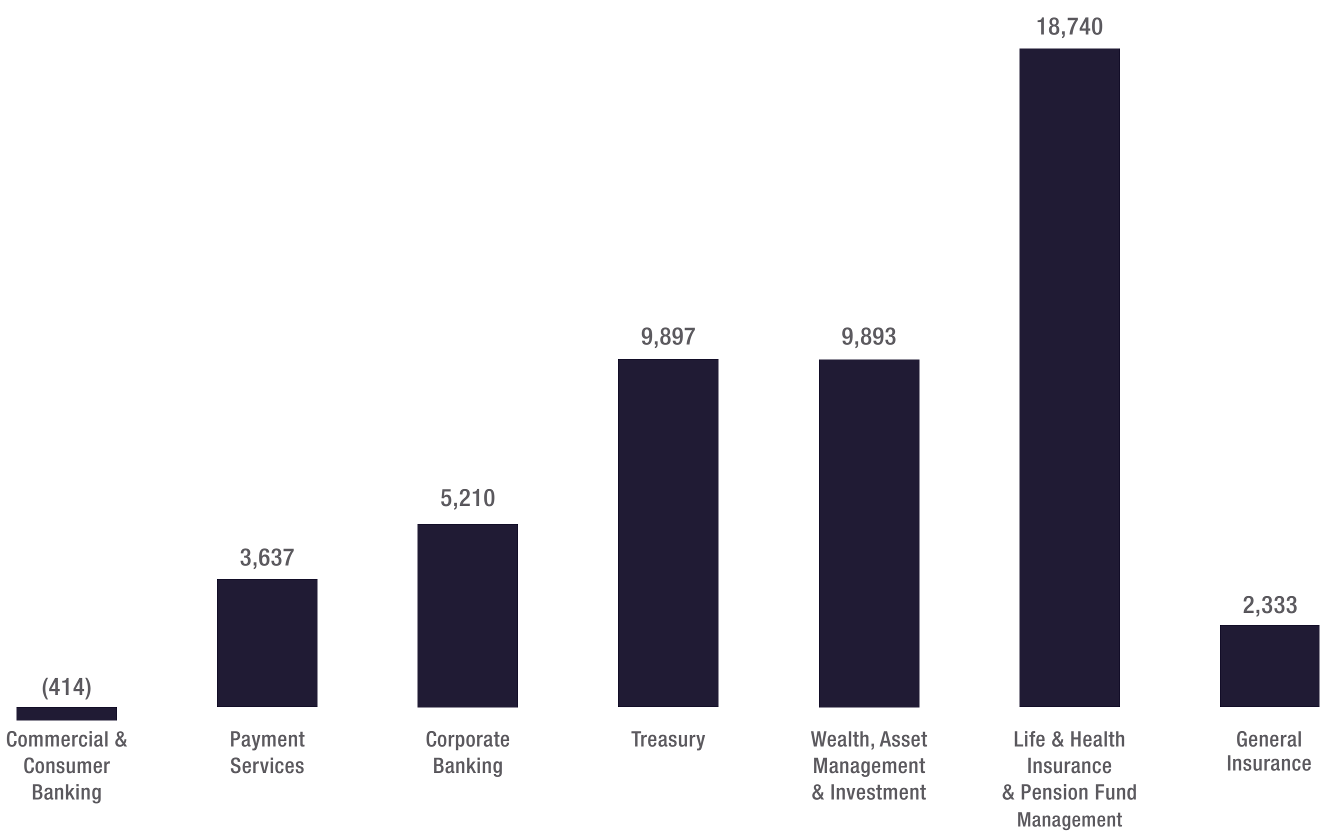
Operating expenses amounted to $7.1 billion (2018: $1.8 billion) mainly as a result of GHL's financial performance.

The execution of our key strategic initiatives through data-analytics, product mixing and synergies bode well for our partnership and growth. The successful integration of GHL into our financial ecosystem will establish the Group as one of the leading financial and insurance services providers in the region.

GENERAL INSURANCE

This business segment incorporates the results of general insurance, which includes property and casualty insurance from AGIC and Guardian. The Group sold its interest in AGIC at the end of the financial year. For the 2019 financial year AGIC contributed $2.5 billion in operating income and $792 million in operating profit. Performance from this segment was heavily driven by the consolidation of GHL's property and casualty results. AGIC's revenue growth was modest amidst an increasingly competitive market. External revenues were $27.4 billion compared to $6.4 billion in the prior year. Higher motor claims and the passage of Hurricane Dorian resulted in increased claims for the segment driving up policyholders' and annuitants' benefits and reserves. The segment posted operating profit of $2.3 billion, a 115% or $1.2 billion increase over the results from the prior year. Net results from insurance activities totalled $5.2 billion up from $1.7 billion.

SEGMENT PERFORMANCE 2019 - OPERATING PROFIT($'M)

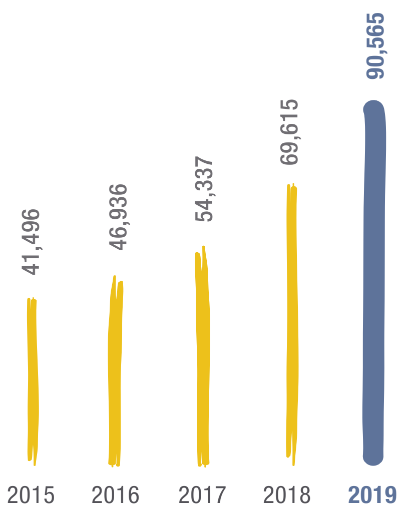


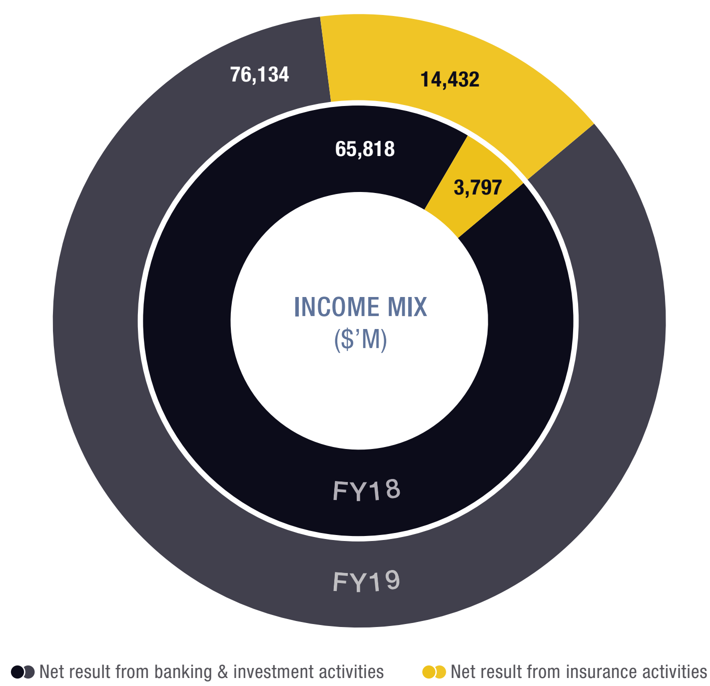
Financial Performance
CONTINUED

OPERATING INCOME

Operating income is comprised of banking & investment and insurance activities. Operating income grew by 30% or $21.0 billion to $90.6 billion. Gross income was $169.8 billion compared to $98.8 billion in the prior year, GHL contributed to 25% of the increase in gross revenues.
The consolidation of GHL has resulted in insurance activities contributing a greater percentage to the Group's net operating income. Net interest income still remains the single largest contributor to net operating income, contributing 49%, down from 50% in the prior year. The remaining 51% primarily comprised of net fee and commission, gain on foreign currency and investment activities, and the net result from insurance activities. Of the non-interest bearing income items, net fee and commission accounted for 42% of non-interest related income compared to 46% in 2018, while the net result from insurance activities contributed 31% compared to 11% in 2018 predominantly as a result of the consolidation of GHL.

OPERATING INCOME ($'M) 4 YR CAGR: 21.6%





NET INTEREST INCOME

The Group earned net interest income, net of credit impairment losses, of $39.8 billion, up $6.6 billion, or 20%.

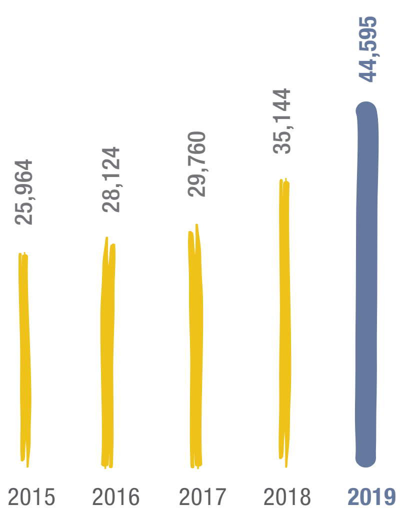
- Interest income from loans of $42.3 billion, increased by $7.7 billion, or 22%. There was solid growth in the Group's loan and card portfolios despite lower Jamaican market interest rates. In addition to the volume growth in loans, there was a full year of consolidated results from Clarien (compared to nine months in 2018) and the addition of five months of GHL's performance.
- Interest income from investment securities, reverse repurchase agreements and deposits totalled $22.8 billion which was $5.2 billion higher than the prior year's total of $17.6 billion. The full year consolidated results from Clarien (compared nine months in 2018) and the addition of GHL's results accounted for the sizeable growth in interest income from investment securities.
- Interest expenses increased by $3.4 billion, or 20%, to $20.5 billion for the year. 55% of the increase was due to the consolidation of GHL, the other major contributors to the increase were the additional three months of expenses related to the consolidation of Clarien and increased funding raised by NCBFG. [More details on net interest income item can be found in note 6 of the financial statements – see page 196].
- Credit impairment losses includes expected credit losses on investment securities and loans and advances, which grew by $2.9 billion, from $1.9 billion in the prior year to $4.8 billion in the 2019 financial year. The growth in impairment losses was impacted by the credit quality of our Bermudian and Jamaican loan portfolios. Additionally, Clarien's prior year provisions included a significant recovery which reduced the charge in the 2018 financial year. We experienced

an impairment reversal of $136 million on our investment securities portfolio, primarily following the revision in the loss given default rate for Government of Jamaica sovereign bonds due to the rating upgrade of Jamaica by the S&P Ratings Agency from ‘B’ to ‘B+’ with a positive outlook. The Group’s delinquency management processes remain robust and proactive to effectively respond sufficiently to the risk environment in all of our operating jurisdictions. [A summary of this expense item can be found in note 13 of the financial statements – see page 201].

The Group’s aim is to provide superior customer experience and adequately provide customers with competitive pricing, while managing the risks involved in each transaction. Despite being impacted by general market conditions, our investment strategy involves actively balancing the risk-return trade off of our portfolio ensuring effective allocation and management of assets. There continues to be changing regulations in multiple jurisdictions and global advancements in technology and financial services which can significantly impact net interest

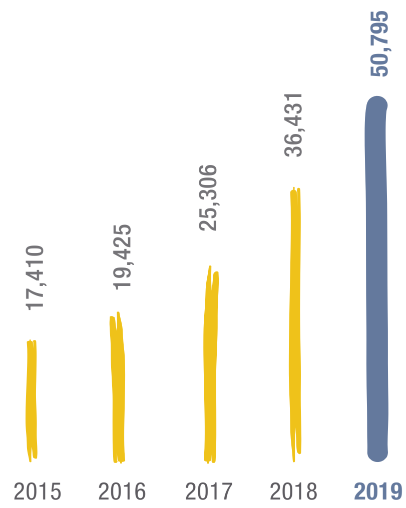
NET INTEREST INCOME ($’M)

4 YR CAGR: 14.5%



NON-INTEREST INCOME ($’M)

4 YR CAGR: 30.7%



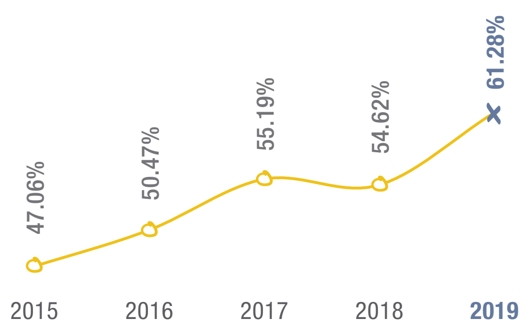
income; this requires our continued proactive management of our capital, liquidity, risk, margins, currency and financial positions.

OTHER REVENUE ITEMS (NON-INTEREST RELATED INCOME)

Non-interest income items grew to $50.8 billion, up $14.4 billion or 39%, over the prior year.

- Net fee and commission income was $19.2 billion, an increase of $3.3 billion or 21%. GHL earns fee income via policy administration and asset management services and through its consolidation contributed 48% of the increase in net fee income. Volume increases on our electronic channels, which includes Point of Sale and e-commerce channels, resulted in moderate growth in commissions earned by the Payment Services Unit, which incorporates our Card Issuing and Acquiring businesses. Our wealth segment completed several corporate finance and investment banking deals increasing the fees earned for the 2019 financial year. [A summary by segment can be found in note 7 of the financial statements – see page 197].
- Gains on foreign currency and investment activities of $14.8 billion declined by 5% or $815 million compared to the prior year’s results. The reduction was mainly caused by a $3.2 billion decrease in gains on the sale of debt securities due to tight market conditions in the Jamaican market caused by stable interest rates and reduced volumes of securities in the market. [Further details on this income item can be found in note 8 of the financial statements – see page 197].
- Net result from insurance activities grew from $3.8 billion in the prior year to $14.4 billion.
  - Net Underwriting Income was $48.2 billion growing substantially over the prior year’s net results of $8.8 billion. A significant portion of the growth in underwriting income was as result of the consolidation of GHL. Premium income totalled $60.6 billion (2018: $9.5 billion) of which GHL contributed $50.7 billion. [Additional details on this income item can be found in note 9 of the financial statements – see page 198].

INSURANCE LOSS RATIO



Financial Performance
CONTINUED

TABLE 6: GROSS FEE AND COMMISSION INCOME	2018 $'M	% of Total %	2019 $'M	% of Total %
Payment Services fees	9,377	46.44%	10,181	42.12%
Commercial and Consumer fees	4,879	24.16%	4,959	20.52%
Wealth Management fees	2,259	11.19%	4,169	17.25%
Life & Health Insurance and Pension Management fees	1,948	9.65%	2,281	9.44%
Brokerage fees	-	0.00%	988	4.09%
Corporate Banking fees	1,034	5.12%	957	3.96%
Treasury & Correspondent Banking fees	443	2.19%	343	1.42%
General Insurance	93	0.46%	93	0.39%
Other	159	0.79%	201	0.83%
Total	**20,192**	**100.00%**	**24,173**	**100.00%**

- Net policyholders' and annuitants' benefits and reserves of $27.3 billion increased by 477%. The consolidation of GHL was the primary factor driving the sizeable increase. These are necessary costs to ensure funds are provided to support customers in their time of need. [Further details on this expense item can be found in note 10 of the financial statements – see page 198].

- Commission and other selling expenses incurred in providing insurance services grew to $6.4 billion up from $230 million which also resulted from the consolidation of GHL.

OPERATING EXPENSES

Operating expenses grew by 49% or $21.3 billion to $64.7 billion for the year. During the year, investments were made to innovate our service and product offerings, upgrade our technological capacity and core systems, advance our digital solutions and improve the skillsets and competencies of our team. These investments we deemed necessary to assist in the strengthening of the Group to position us to capitalise on growth opportunities in pursuit of building our financial ecosystem. Operating expenses were also impacted by the three additional months of Clarien's performance coupled with the consolidation of the five months of GHL's results.

- Staff costs of $32.1 billion, increased by $8.3 billion, or 35%. Following the acquisition of a majority stake in GHL our staff complement increased by over 2,000 employees. GHL's staff costs totalled $5.2 billion and accounted for 62% of the increase in staff costs. We remain committed to providing suitable compensation as well as being an employer of choice within all the territories in which we operate. Significant investments in human capital with increased training and competency building continue to be a priority across the Group. We believe that the development of our employees' expertise and capabilities is paramount to the successful execution of our strategic initiatives and nation building. Employees, pensioners and former employees of certain Jamaican subsidiaries also benefited from the disbursement of shares as part of the winding up process of a dormant Employee Share Scheme. [Further details on staff costs can be found in note 12 of the financial statements – see page 200].

- Depreciation and amortisation charges totalled $6.9 billion, an increase of 100% or $3.5 billion. The main driver of the increase was amortisation of intangible assets – core deposit & other customer relationships, consequent on the acquisition of Clarien and GHL. Our Jamaican subsidiaries also continued capital investments to enhance and expand our digital capabilities which impacted both amortisation of software intangibles and depreciation of computer hardware. The consolidation of Clarien's results for a full twelve month period (compared to nine months for the 2018 financial year) along with the consolidation of GHL's results also accounted for some of the increase. [Additional details on these expenses can be found in notes 28 and 29 of the financial statements – see pages 216 - 217].

- Other operating expenses totalled $25.7 billion, an increase of $9.5 billion or 59%.
  - Property, vehicle and ABM maintenance and utilities grew by $2.1 billion or 63%. The Group experienced growth in

TABLE 7: PREMIUM INCOME	2018 $'M	% of Total %	2019 $'M	% of Total %
Annuity contracts	1,638	17.27%	12,542	20.69%
Life and health insurance contracts	2,455	25.88%	21,567	35.58%
General insurance contracts	5,392	56.85%	26,510	43.73%
Total	**9,485**	**100.00%**	**60,619**	**100.00%**

TABLE 8: NET POLICYHOLDERS' AND ANNUITANTS' BENEFITS AND RESERVES	2018 $'M	% of Total %	2019 $'M	% of Total %
Annuity contracts	2,536	53.60%	7,749	28.38%
Life and health insurance contracts	(791)	(16.7%)	11,992	43.92%
General insurance contracts	2,986	63.11%	7,566	27.71%
Total	**4,731**	**100.00%**	**27,306**	**100.00%**

TABLE 9: GROSS FEE AND COMMISSION INCOME	2018 $'M	% of Total %	2019 $'M	% of Total %
Property, vehicle and ABM maintenance and utilities	3,319	20.52%	5,402	21.04%
Irrecoverable general consumption tax and asset tax	3,105	19.19%	3,891	15.16%
Other	995	6.15%	3,109	12.11%
Marketing, customer care, advertising and donations	1,633	10.09%	3,003	11.70%
Technical, consultancy and professional fees	1,499	9.27%	2,623	10.22%
Travelling, courier and telecommunication	991	6.12%	1,943	7.57%
License and transaction processing fees	1,314	8.12%	1,464	5.70%
Credit card rebates	1,078	6.66%	1,128	4.39%
Insurance and premiums	542	3.35%	796	3.10%
Auditors' remuneration	193	1.19%	666	2.59%
Operating lease rentals	341	2.11%	523	2.04%
Operational losses	491	3.03%	427	1.66%
Management and royalty fees	458	2.83%	419	1.63%
Stationery	221	1.37%	280	1.09%
Total	**16,180**	**100.00%**	**25,675**	**100.00%**

repairs and maintenance costs related to our technological infrastructure as we expanded our digital capabilities as well as upgraded key systems within the Group. Repairs and maintenance of our business premises also increased during the year as we worked on standardising all physical locations to ensure the comfort of our customers and staff. We also incurred increased utilities and security costs. Additionally, the amalgamation of GHL's maintenance and utilities expenses drove up some of the increase in property, vehicle and ABM maintenance and utilities costs.

- Marketing, customer care, advertising and donations increased by $1.4 billion or 84% mainly due to increased expenditure on marketing and advertising as well as the consolidation of GHL and an additional three months of Clarien's expenses. Our customer care costs also increased significantly as we ensured that our team was adequately resourced to meet the growing needs of our customers. Donations made more than doubled in the financial year as we continued our thrust to build the communities we serve.

- Technical, consultancy and professional fees went up by 75% or $1.1 billion due to the implementation of various strategic transformational initiatives geared at improving our core business, financial performance, efficiency or digital capabilities.

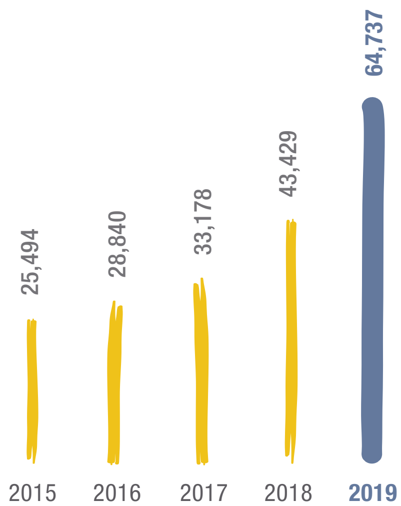
- Travelling, courier and telecommunication expenses grew by 96% or $952 million as we pursued our regional expansion aspirations. We now operate across 21 territories, which increased the need for these support services.

Financial Performance

CONTINUED

OPERATING EXPENSES ($'M)

4 YR CAGR: 26.2%



- Irrecoverable general consumption tax and asset tax grew by $786 million or 25% over the prior year. Asset tax increased as a result of the growth in the asset base of our regulated Jamaican entities when compared to the previous financial year. Irrecoverable taxes increased in Jamaica and Trinidad & Tobago.

o The expansion of the Group resulted in an increase in the audit scope which caused a 245% or $473 million rise in auditors' remuneration.

[A list of other operating expenses can be found in note 14 of the financial statements – see page 201].

RELATED AND CONNECTED PARTY TRANSACTIONS

The Group considers the following individuals or entities to be related:

- Parent and companies controlled by our major shareholder
- Subsidiaries
- Associated companies of the Group
- Directors and key management personnel and their families
- Companies controlled by directors and related by virtue of common directorship.

Connected parties include our affiliates, associated companies, principal shareholders, directors, key management personnel, officers and employees. Parties are considered to be related or connected if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions.

In the normal course of business, we engage in, and expect from time to time to engage in financial and commercial transactions with related parties. These transactions are executed on an arm's length basis, on substantially the same terms, including interest rates and collateral, where applicable, as those prevailing at the time for comparable transactions with unrelated parties (with the exception of loans included under the staff loan policy). Related party transactions with terms outside of normal business conditions require approval by the Board of Directors. Additionally, certain subsidiaries have Corporate Governance and Conduct Review Committees which monitor overall related party exposures and approve transactions with related parties outside of the normal course of business. Periodic reports are also submitted to the Audit Committee.

Staff loans and other concessionary facilities

We provide credit facilities at concessionary rates to employees and pensioners. The amounts that can be borrowed at concessionary rates are capped and all amounts in excess of the cap are accessible through normal customer facilities. The benefit of the discounted rate is assessed annually and if determined to be material, included in the financial statements.

Other major related party transactions

Related parties may engage in transactions involving financial assets or financial liabilities such as investment securities, reverse repurchase agreements, repurchase agreements or corporate notes, which are executed at prevailing fair market prices. From time to time, these transactions may involve corporate finance services for which fees are charged at rates that are consistent with those charged for similar services to unrelated customers. Transactions and balances between the Group companies are eliminated on consolidation of the financial statements.

In the normal course of business, we also enter into agreements with related parties, which typically involve the provision of advisory, insurance and other services. These services are provided on terms which are consistent with those offered to other unrelated customers. A summary of related party transactions and balances can be found in note 49 of the financial statements - see pages 254 - 257.

FINANCIAL POSITION PERFORMANCE

ASSET PERFORMANCE

Total assets of $1.6 trillion as at September 2019 increased from $978.6 billion in the prior year. The growth in the asset base was largely due to the consolidation of GHL. Subsequently, our return on average total assets saw a reduction to 2.29% compared to 3.34% for the prior year.

Cash in Hand and Balances at Central Banks

This category consists primarily of cash for our commercial banks, statutory reserves, operational balances and short term investments with Central Banks. These balances totalled $62.5 billion, a decrease of $12.2 billion or 16% compared to the prior year. This decline was mainly due to a reduction in overnight deposits held with the BOJ consequent on a policy change by the Jamaican Central Bank to discontinue the overnight deposit option for deposit-taking institutions. Statutory reserves with central banks declined by $6.3 billion or 14% due to BOJ decreasing the cash reserve requirement of Jamaican commercial banks with respect to Jamaican dollar denominated prescribed liabilities and customer deposit balances from 12% to 7% during the financial year. A summary of the portfolio can be found in note 17 of the financial statements – see page 204.

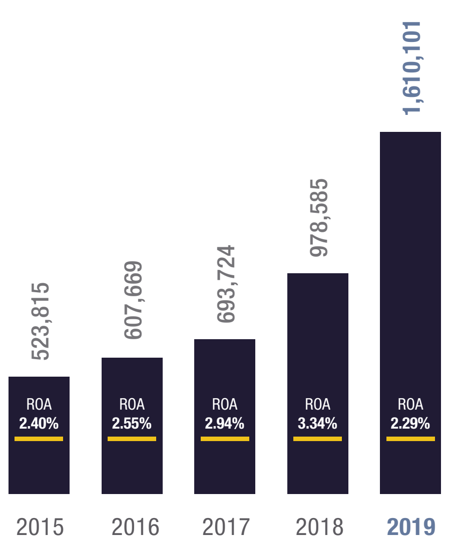
Due from Banks

These balances include placements with banks, short term deposits and other balances held with correspondent banks. These balances grew by 190% or $92.7 billion primarily due to the consolidation of GHL which accounted for 85% of the increase. These balances are held to facilitate normal business activities as well as to satisfy liquidity requirements within the Group. Further details on this portfolio can be found in note 18 of the financial statements – see page 205.

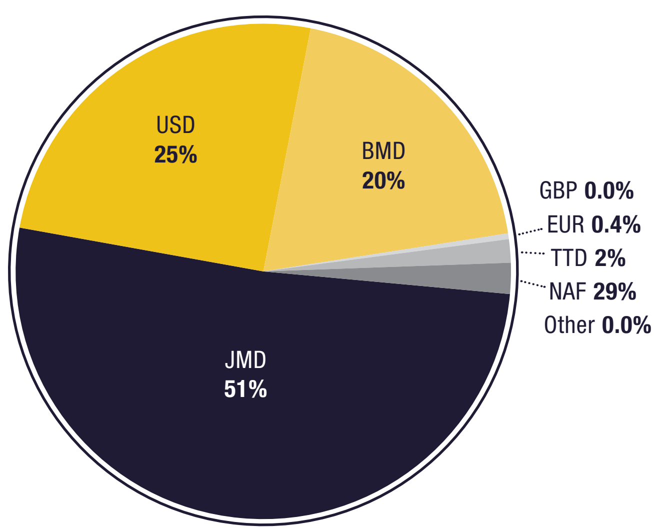
Investment Securities & Reverse Repurchase Agreements

Our investment securities portfolio comprises debt (government securities and corporate bonds), equity securities (quoted and unquoted), and collective investment schemes. These instruments are classified as fair value through profit or loss, fair value through other comprehensive income and carried at amortised cost. Investment securities totalled $759.5 billion compared to $389.5 billion in the prior year, while reverse repurchase agreements grew to $7.8 billion up from $3.8 billion at September 2018. Investment securities continues to be the single largest interest-bearing asset category of the Group, accounting for 47% of total assets (September 30, 2018: 40%). The consolidation of GHL provided $296.6 billion in investment securities and reverse repurchase agreements, of which $175.4 billion is pledged as security with respect of its life insurance subsidiaries in accordance with legal requirements of the respective countries. Further details on these portfolios can be found in notes 20, 22, and 23 of the financial statements – see pages 207, 208-210.

TOTAL ASSETS ($'M) 4 YR CAGR: 32.4%



NET LOANS & ADVANCES BY CURRENCY



Financial Performance
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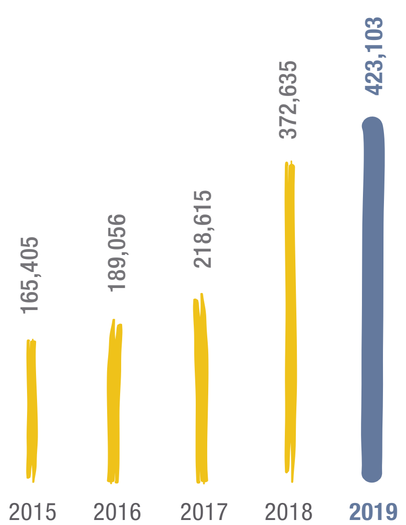
NET LOANS ($'M) 4 YR CAGR: 26.5%



Net Loans

Loans and advances, net of provisions for credit losses, grew by $50.5 billion or 14% to $423.1 billion. Initiatives for the year were focused on delivering attractive loan products for our customers as well improving our sales and service effectiveness to expand our loan portfolio. Additionally, the consolidation of GHL added $15.3 billion to the loan portfolio. NCBJ held 72% of total loans, while Clarien held 22%. As a result, just over half of the loan portfolio is Jamaican dollar denominated loans, yielding on average 13%.

The non-performing loan portfolio grew to $19.0 billion from $18.2 billion in the prior year. This represented 4.4% of gross loans compared to 4.8% at September 30, 2018. Improving asset quality is paramount and we maintain a strong underwriting, risk, delinquency and collection management framework. We have implemented proactive and robust operational strategies to improve this metric across the Group.

The BOJ stipulates statutory provision requirements for NCBJ, the difference between the statutory provision for credit losses as required by BOJ and the IFRS provision is credited to a non-distributable reserve – loan loss reserve. The balance in the loan loss reserve was $2.9 billion at September 2019 (September 2018 - $3.5 billion). NCBJ's provisioning policy is compliant with both the BOJ and IFRS requirements.

Further details on the loan portfolio can be found in note 21 of the financial statements – see page 207.

FUNDING PERFORMANCE

Our funding portfolio consists of short and long-term borrowing arrangements under the following funding lines: customer deposits, obligations under repurchase agreements, obligations under securitisation arrangements, amounts due to banks, other borrowed funds, mutual funds, segregated fund liabilities, investment contract liabilities and liabilities under annuity and insurance contracts.

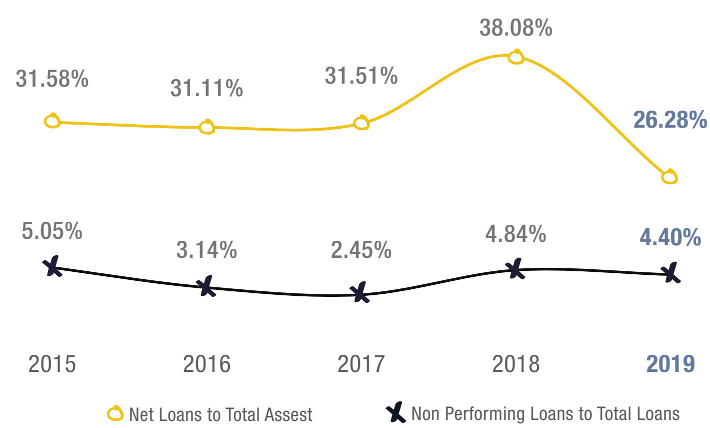
Customer Deposits

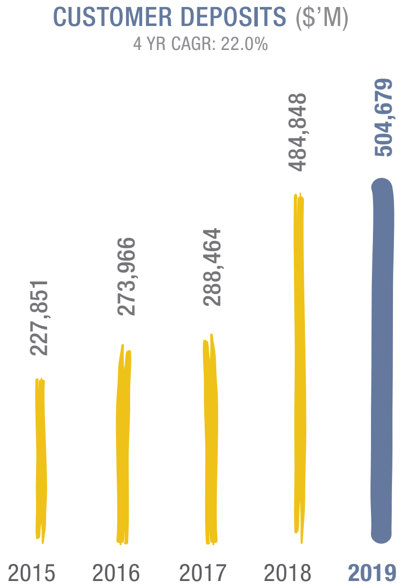
Customer deposits now exceed $500 billion, a considerable milestone for the Group, and a testament of the confidence our customers continue to show in the Group. Deposits remain our largest source of funding, representing 35% of total liabilities; the portfolio grew by $19.8 billion or 4%. 70% of customer deposits are held by our Jamaican commercial bank. 42% of the total portfolio was denominated in Jamaican dollars while 37% of the portfolio was US dollar denominated deposits.

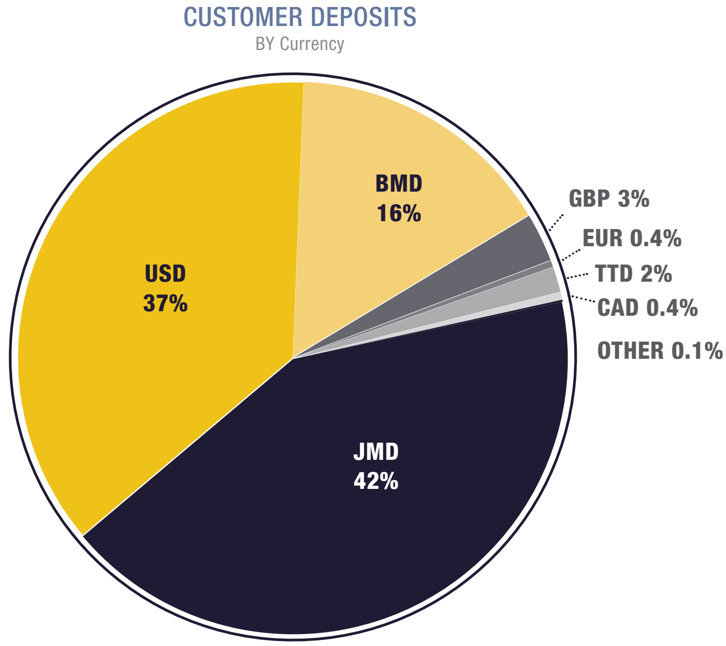
Liabilities under Annuity & Insurance Contracts

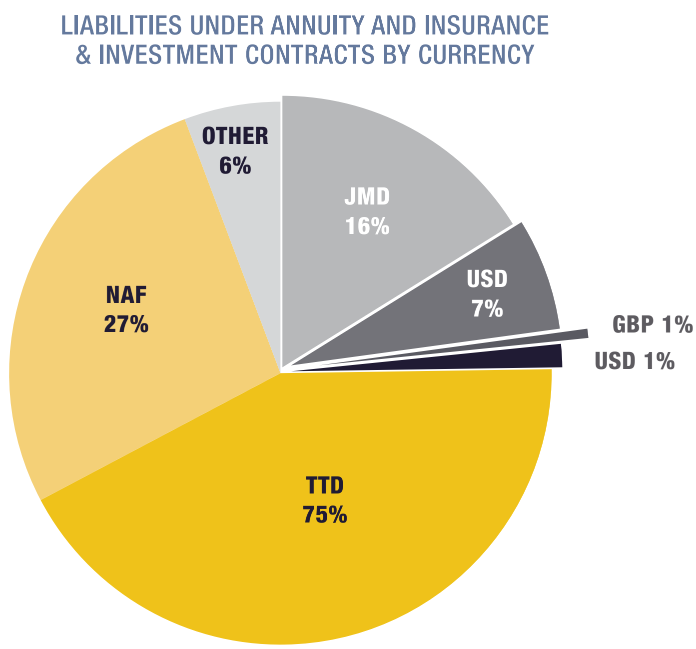
Liabilities under annuity & insurance contracts increased to $385.4 billion from $38.1 billion as a result of the consolidation of GHL. These contracts arise from operations in the life and general insurance industries. Our life insurance subsidiaries issue life and health insurance and annuity contracts. These contracts insure human life events (for example, death, survival or critical illness) over a long duration. The general insurance subsidiaries issue property and

RETURN ON EQUITY









casualty insurance contracts. Casualty insurance contracts protect our 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. Property insurance contracts mainly compensate our customers for damage suffered to their properties or for the value of property lost.

Liabilities under life and health insurance and annuity contracts accounted for 85% of the balance at the end of the year (September 2018: 82%). The consolidation of GHL introduced additional currency exposure in this portfolio. The currency profile has changed in the 2019 financial year, from 98% Jamaican dollar denominated and 2% US dollar denominated in the prior year to 42% Trinidad & Tobago dollar (TTD) denominated, 27% Netherlands Antilles Guilder (NAF), 16% Jamaican dollar denominated and 7% US dollar denominated.

Details on liabilities under annuity and insurance contracts are providing in note 39 of the financial statements pages 228 - 241.

Repurchase Agreements

Repurchase agreement funding arrangements are used primarily by the Group as short-term funding and as a product for corporate and individual clients. The portfolio increased to $174.6 billion, an increase of $21.7 billion or 14%. This continues to be a significant funding source for some subsidiaries within the Group and represented 12% of total liabilities (September 30, 2018: 18% of total liabilities).

Other Borrowed Funds

Other borrowed funds consist of various funding sources and totalled $125.0 billion compared to $65.6 billion in the prior year. Each source of funding has different terms, tenures and interest rates which were accessed for the benefit of our customers. The most significant balance in this portfolio was corporate notes totalling $110.5 billion. Details of other borrowed funds are included in note 34 of the financial statements – pages 224 - 225.

Other Funding

Other funding arrangements mainly consist of obligations under securitisation, investment contract liabilities, mutual and segregated

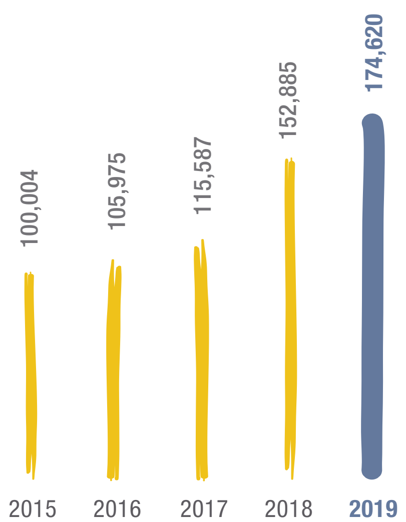
Financial Performance

CONTINUED

TABLE 10: LIABILITIES UNDER ANNUITY AND INSURANCE CONTRACTS	2018 $'M	% of Total %	2019 $'M	% of Total %
Liabilities under life and health insurance and annuity contracts	31,285	82%	327,458	85%
Liabilities under general insurance contracts	6,808	18%	57,938	15%
Total	**38,093**	**100%**	**385,396**	**100%**

REPURCHASE AGREEMENTS

($'M) 4 YR CAGR: 15.0%



funds. Details on these balances can be found in notes 32, 33, 36, 37, and 38 to the financial statements – pages 221 - 222 and 227 - 228.

STOCKHOLDER'S EQUITY

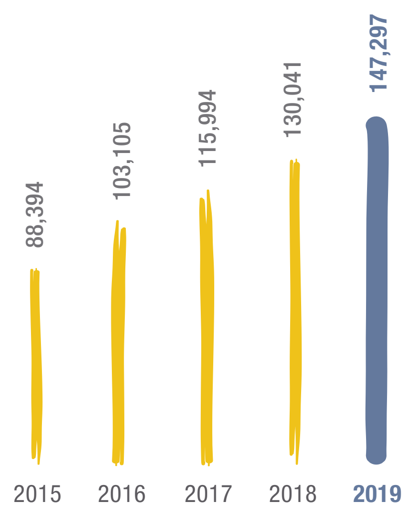
The Group's total stockholders' equity was $187.0 billion; equity attributable to stockholders of the Company grew to $147.3 billion, an increase of $17.3 billion, or 13% over the prior year. The return on average equity for the Group decreased from 22.73% to 21.33%.

CAPITAL MANAGEMENT

The Group's objectives when managing capital are broader than the equity presented in the statement of financial position. Our capital management processes are in place

EQUITY

($'M) 4 YR CAGR: 13.6%

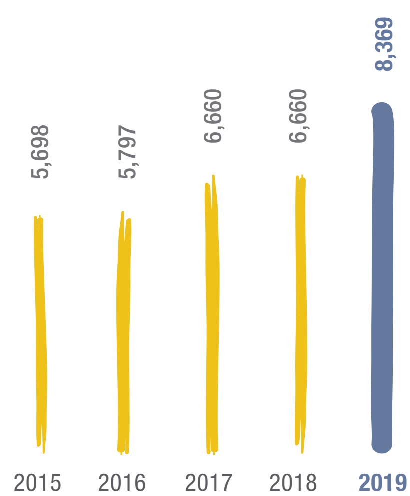


to ensure compliance with capital requirements set by the relevant regulators; safeguard the Group's ability to continue as a going concern in order to provide returns for stockholders and benefits for other stakeholders; and maintain a strong capital base to support development of our business.

Our management team recognises that the maintenance of adequate capital and the management thereof are critical to ensuring that regulatory requirements, strategic objectives and shareholder expectations are met each financial year. Each regulated entity within the Group is required to hold a minimum amount of capital as required by each relevant regulator in their jurisdiction and to meet these requirements, a capital management plan guided by the Group Capital Management Policy is completed.

The Group's capital management plans are focused on maintaining adequate levels of capital, optimising the Group's portfolio in accordance with balancing shareholder risk-return objectives and flexibility in responding to changing market conditions. The aim of capital adequacy is to ensure sufficient capital is held in excess of the risk-based internal assessments and regulatory requirements with an overall objective of maintaining financial strength. During the year, the key regulated entities met or exceeded the minimum regulatory requirements. [A summary on capital management can be found in note 50 (f) to the financial statements – page 258 - 307].

DIVIDENDS PAID



NCBFG TOTAL SHAREHOLDER RETURN

For The Year Ended September 30	2015	2016	2017	2018	2019	Three Year CAGR (%)	Five Year CAGR (%)
Closing Price of Common Shares ($ per share)	27.72	41.55	87.02	124.52	208.79	71%	63%
Dividend Paid ($ per share)	2.31	2.35	2.70	2.70	3.40	13%	24%
						Three Year Shareholder Return	**Five Year Shareholder Return**
NCBFG Shareholder Return (%)	**67%**	**58%**	**115.9%**	**46%**	**70%**	**424%**	**1,140%**
JSE Index Annual Movement (%)	**33%**	**71%**	**60%**	**36%**	**44%**		

4. The comparative financial information for previous periods are presented as if the re-organisation of the NCB Financial Group was in effect during those periods and NCBJ share and dividend data was used for prior year computations.

5. Total shareholder return represents the annual total return earned on an investment in NCBFG shares. The return is calculated as the change in share price (growth in share price at the end of the year compared to the share price at the beginning of the year) and assumes that dividends received are reinvested in NCBFG shares (share appreciation plus dividends).

$3.40
Dividends per share paid during year

27.9%
Dividend pay-out ratio (dividends per share divided by earnings per share)

1.63%
Dividend yield (dividends paid as a percentage of share price)

DIVIDENDS & SHAREHOLDERS' RETURN

The closing share price on the Jamaica Stock Exchange as at September 30, 2019 was J$208.79 per share (September 30, 2018: J$124.52) which resulted in a price earnings ratio (current share price as a percentage of per share earnings) of 17.14 (September 2018: 10.93). The share price on the Trinidad & Tobago Stock Exchange as at September 30, 2019 was TT$10.44 per share (September 30, 2018 – TT$5.73). Our total shareholder return which combines share price appreciation and dividends paid to show the total amount returned to the investor was 70% for the financial year compared to 46% in the prior year.

CEO's Message

To our valued shareholders,

It is a privilege to have the opportunity to serve you in the capacity of CEO of National Commercial Bank Jamaica Limited (NCBJ). In this capacity, I am committed to continuing our focus on building an organisation that provides our employees, our individual and business customers, our shareholders, and our communities with all their financial needs. However, underlying every financial product and service need is a personal goal or desire. Our ultimate purpose therefore is to empower all our stakeholders in their pursuit of their primary goals and desires.

Notable milestones for this financial year include the following:

THE BANKER MAGAZINE NAMED NCBJ, BANK OF THE YEAR – JAMAICA FOR THE 5TH CONSECUTIVE YEAR AND THIS MARKS THE 10TH WIN BETWEEN 2008 AND 2019.

LATIN FINANCE MAGAZINE AWARDED NCBJ, BANK OF THE YEAR FOR THE 6TH CONSECUTIVE YEAR AND THE 9TH TIME SINCE 2007.

GLOBAL FINANCE MAGAZINE HAS NAMED NCBJ BEST BANK, SAFEST BANK AND BEST FOREIGN EXCHANGE PROVIDER FOR JAMAICA IN 2019. THIS MARKS NCBJ'S 3RD CONSECUTIVE TIME WINNING THE SAFEST BANK AWARD, AND 4TH TIME WINNING THE BEST BANK AWARD.

We are proud of these recognitions and are grateful for the contributions of our team members who worked together to make this a reality. However, we do not take these awards for granted as we are focused on creating long-term value for all stakeholders. We remain committed to a journey of continuous improvement in order to enhance our customers' experiences, increase shareholder value, build the communities we serve and sustain an organisation of inspired people.

This year was spent laying the foundation for a world-class bank with the upgrade of our core-banking platform that allows us to vastly improve the customer experience. The initiative created inconvenience for many of our customers and we thank them for their patience throughout the process and for their commitment to the organisation. We are committed to seeing this transition through in order to create a banking experience for our customers that is simple, safe and secure, stable, convenient and delightful.

Some of the other noteworthy accomplishments include:

- **Pre-approval of mortgages**
- **Expansion of customers eligible for pre-approved digital loans**
- **Implementation of Mobile Point of Sale (mPOS) with EMV Chip and PIN**
- **Implementation of Contactless (Tap and Go) and Chip Acceptance technologies across our issuing and acquiring business.**

NCBJ continued to invest heavily in technology designed to safeguard our customers from fraud. In 2018/2019 alone, we invested over JMD$415M in infrastructure, software applications and compliance with global certifications – in order to effectively safeguard our customers' financial assets and data. Since 2016, these investments totalled over J$1 billion. Importantly, we are also maintaining our PCI compliance and we remain relentless in ensuring that credit card data is protected.

What lies ahead?

NCBJ is excited about playing a role in the realisation of our new aspiration for the NCB Financial Group. As we begin the journey to become a world-class Caribbean financial ecosystem, we are particularly excited about the following initiatives for the 2019/2020 financial year:

1. Enhanced digital solutions to improve customers' service experience and access to banking services
2. Enhanced support for SMEs using new financing solutions based on partnerships with local and global institutions and new simple and intuitive e-commerce solutions to enable growth of their online businesses
3. Expanded financing solutions and regional growth support for our Corporate clients
4. Continued investments to provide safer banking experiences for our customers

With the customer at the heart of what we do, we will not rest until we are providing experiences that are simple, safe and secure, stable, convenient, delightful or in summary – world class. As we journey toward this new destination, I look forward to your continued support and partnership and I thank you for the role you continue to play in our success.

"WE WILL NOT REST UNTIL WE ARE PROVIDING EXPERIENCES THAT ARE SIMPLE, SAFE AND SECURE, STABLE, CONVENIENT, DELIGHTFUL OR IN SUMMARY – WORLD-CLASS"

Septimus "Bob" Blake
CEO – National Commercial Bank
Jamaica Limited

CEO's Message

To our valued shareholders,

Exciting things have been happening at Clarien over the last year. Established as a local savings & loan institution, we are transforming and redefining ourselves as a world-class boutique bank with superior customer service and flexible banking products and solutions. Playing to our strengths and leveraging our relationship with shareholders, NCBFG, Portland Private Equity and Edmund Gibbons Limited, we are setting ourselves apart from the competition in order to become a leading global brand.

CLARIEN IS DEDICATED TO DELIVERING THE BEST CUSTOMER EXPERIENCES, SYSTEMS, PROCESSES AND PERFORMANCE THAT NOT ONLY SHAPE US INTO THE BEST BANK IN BERMUDA, BUT POSITION US AS A LEADING FINANCIAL SERVICE PROVIDER IN ALL OF THE CARIBBEAN. OUR OTHER ASPIRATIONAL GOALS THROUGH TO 2022 ARE TO BE THE:

- **Number one wealth manager in the Caribbean region;**
- **Number one commercial bank for local businesses;**
- **Digital bank of choice in Bermuda; and**
- **Bermuda's Employer of Choice.**

We are working to build a world class digital client experience, to accelerate regional expansion and reinvent our core business. Our aspirational goals are supported by the following five long term strategic priorities:

Revenue Growth
Our aim is to achieve "above-industry" revenue growth, with a competitive efficiency ratio and return on equity for our stakeholders. In the 2018/ 2019 financial year, Clarien was successfully able to secure numerous new large corporate and private banking clients, as well as deepen our relationships with our existing clients in order to improve their financial services experience and improve our profitability. We continue to look to new and improved products and services in order to improve value to our clients.

Exceeding Client Expectations
In a survey undertaken by firm Global Research in August 2019, in-depth interviews were conducted with prospective mass affluent banking clients in Bermuda. The results showed that Clarien ranked extremely high in terms of trustworthiness and customer satisfaction. We are constantly working to fulfill one of our values as being "client-driven" and to live up to our good reputation, by taking on feedback and fulfilling our noble purpose of 'making it easier for clients to navigate their financial futures'. We intend to leverage these strengths to continually redefine our service standards and commitment to our existing and prospective clients.

Optimising Performance
In 2019, we made steps to digitise and streamline our business and banking models. These systems have resulted in time and cost savings, increased work output and an improved customer experience. We've not only established a system for onboarding new clients that allows us to open an account in a matter of hours, rather than days; we've also worked to significantly speed up the loan process by offering select clients pre-approved offers. Furthermore, we have implemented robotics in various task oriented functions enabling us to redeploy staff into more value-added services. We are deliberately working to digitise Clarien internally in order to successfully deliver a superior digital experience externally.

Developing our People
Clarien invested significantly in various forms of staff training during the year, in areas such as customer service, sales, credit and managerial effectiveness. This resulted in improved employee engagement and overall increased confidence and a better ability for our employees to grow and thrive in their roles at the bank. It has also helped us to match team members at Clarien with positions that better suit their skills and abilities, as well as add greater value to the organisation. We recognise that our people are our primary asset and satisfied staff will result in satisfied clients.

Investing in our Community
As a community leader, Clarien continues to gives bi-annually to registered charities in our community through corporate donations, as well as quarterly outreach activities for our employees. In addition to over US$200,000 in donations made to various not-for-profit organisations in Bermuda, countless volunteer hours are given by our dedicated employees throughout the year to a number of worthy causes. Our goal is to create a better Bermuda.

The 2018/2019 financial year was a monumental one and we are motivated to embark on our new strategic journey. We at Clarien wish to thank our customers for their loyalty and patronage over this period. We are grateful to our shareholders for their support, and to our employees for their commitment and team spirit.

"WE ARE WORKING TO BUILD A WORLD CLASS DIGITAL CLIENT EXPERIENCE, TO ACCELERATE REGIONAL EXPANSION AND REINVENT OUR CORE BUSINESS."

Ian Truran
CEO, Clarien Group

CEO's Message

To our valued shareholders,

In May 2019, Guardian Holdings Limited (GHL) and NCB Financial Group Limited (NCBFG) started a new chapter together with an objective to reinvent, re-empower and re-energise both companies. This partnership presents an abundance of opportunities for our employees, shareholders and customers, as we build a group with the scale, breadth and capabilities to compete more effectively and profitably in the global market. We remain committed to provide best-in-class products, new career opportunities for our employees and a faster, simpler, stronger digital experience.

A winning combination for our Employees

Together with the NCBFG team, we will preserve a winning culture and spirit that continues to define who we are collectively and individually. We will continue to shape our strong corporate cultures, so that we can best serve our customers and realise our vision of a globally recognised organisation that will accelerate growth and achieve even greater success.

We expect that with a larger network of possibilities, the re-engineering of our companies and the focus on globalisation, will bring a plethora of opportunities to our staff, ushering growth and mobility, while building teams that are agile, customer focused and adaptable.

As part of our integration process, we commit to creating an environment of open communication, coaching, development of future leaders of the group and cultivating a vibrant culture of inspired people.

Offering compelling value for our shareholders

COMBINING THE STRENGTHS OF OUR COMPANIES ALLOWS US TO CREATE A GLOBAL PRESENCE CAPABLE OF WEATHERING ECONOMIC DOWNTURNS AND THUS WILL HELP US COMPETE LONG-TERM IN THE GLOBAL MARKETPLACE.

We are confident that NCBFG and Guardian Group will continue to do business in the best interest of our shareholders, bringing compelling value through a track record of solid performance and best-in-class solutions across the global ecosystem. In 2018, Guardian Group achieved an after-tax profit of US$79 million as compared to US$60 million the prior year - a 32% increase in profits reflecting the best performance in the history of the company. This financial performance is consistent with NCBFG's own aspirations for growth and returns and will continue to accelerate over time.

In addition, we strongly believe that our pillars of focus are well aligned with our core values, including a commitment to integrity, performance and innovation.

Creating comfort and connectivity for all our customers

Over the past few years, Guardian Group has been shaping our processes and capabilities to steer the organisation forward to deliver on our goals.

As an insurer of the future, one grounded on innovation, superior customer service, efficiency and deep financial strength, this alliance strengthens and secures Guardian Group's leadership position in an increasingly competitive environment. It ensures that we maximize on the benefits of a larger network which will offer our clients a broader range of integrated financial solutions.

With our combined strengths, NCBFG and Guardian Group will become the largest financial services providers in the Caribbean and a highly competitive force, heavily anchored on putting the customer first. We will offer world-class digital services by automating our businesses through the deployment of leading-edge technologies. This continued transformation will provide our customers with the ease of doing business with the latest digital platforms.

The way forward - Two Caribbean Companies with a Global perspective

We are confident that we have many more accomplishments to celebrate ahead of us as we unlock the potential in the years to come. While we've taken tremendous steps forward, we are far from finished in this success story. We have embarked on a carefully thought out integration process and have added resources to ensure that our strategy is collaborative and focused.

We view this as an exciting opportunity to continue to innovate and invest in a future that lies beyond the next quarter.

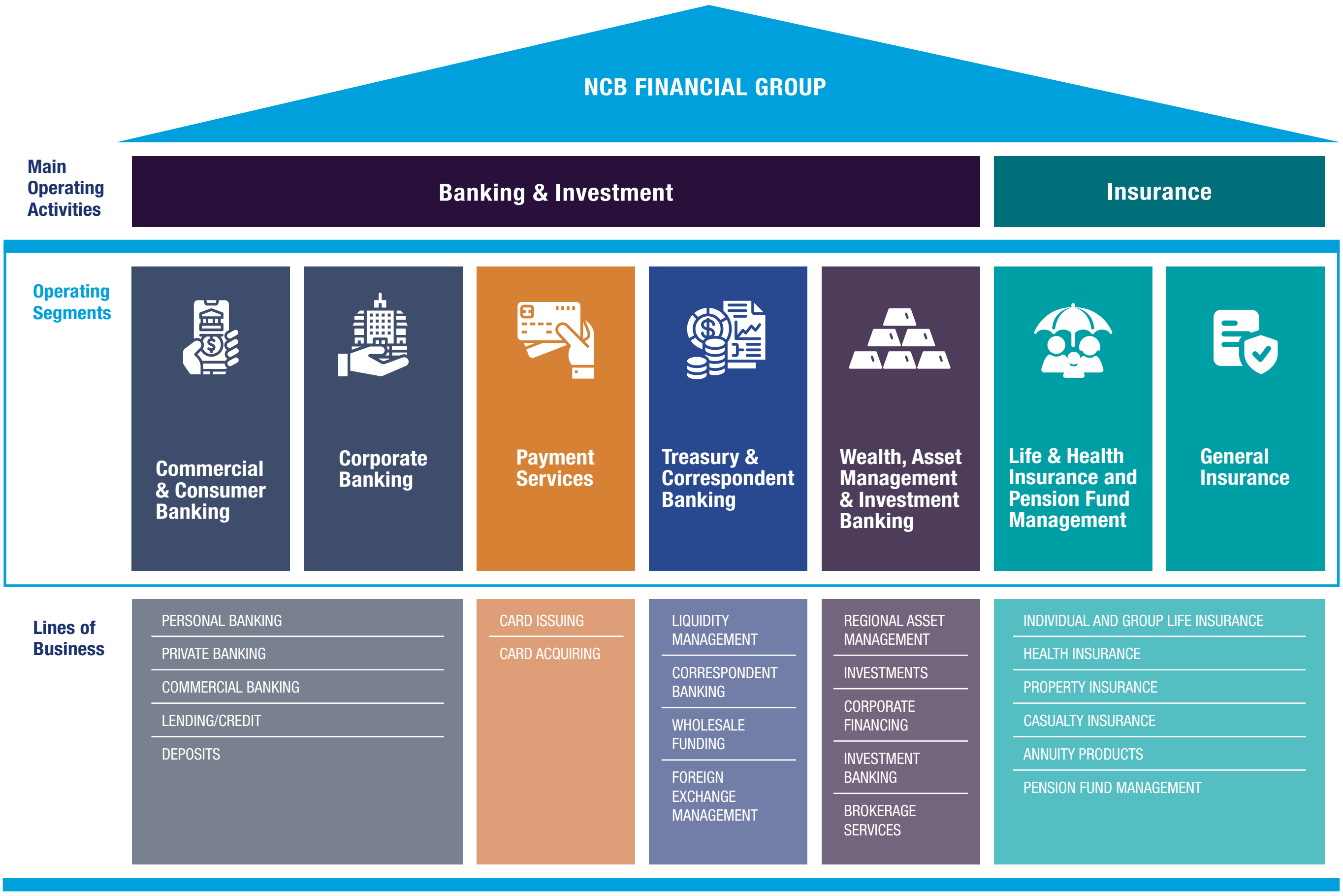
Guardian Group will remain focused on executing our medium to long term business plans and goals and providing our employees, shareholders and customers with the superior experience and solutions they have come to expect from us.

"WE ARE CONFIDENT THAT NCBFG AND GUARDIAN GROUP WILL CONTINUE TO DO BUSINESS IN THE BEST INTEREST OF OUR SHAREHOLDERS"

Ravi Tewari
CEO, Guardian Group

Our Business Operations

We aspire to deliver value for our customers, both internal and external, by executing relentlessly and building a performance culture in our people. The Group executes its strategy, operations and manages its business lines through two main operating activities, supported by seven segments.



Through these segments, NCBFG is able to serve its customers with a wide range of specialised and customised financial products and services.

BANKING

During the financial year, an effort was made to better serve our Jamaican business and consumer segments and leverage synergies, through the merger of the former Retail Banking and Corporate Banking Divisions of NCBJ to create the Corporate, Commercial and Consumer Banking Division.

This newly formed Division provides banking services to individuals, SMEs and large corporate clients. The branch network and associated locations remain spread across all 14 parishes through 37 locations.

We also focused on improvements to our banking segment by incorporating technology and digital strategies to fuel growth and enhanced experiences for our customers served in Bermuda, the Cayman Islands and Jamaica. The highlights for the 2018/2019 financial year were:

- **Introduction of a Mortgage portal for the Jamaican market**

  We believe that the home buying experience is far less stressful when mortgage approval happens at the earliest possible stage. Our portal now allows upfront approval within a 24-hour period once all requirements are fulfilled. Buyers can now begin their search knowing exactly how much the bank is willing to finance. The platform goes further, to accommodate the online search for property options through collaboration with one of

Our Business Operations
CONTINUED

our valued partners. Applicants can also access a list of approved valuators and surveyors, and make contact to arrange services. Upfront approval also reduces processing time after a buyer has found the right house, allowing for a shorter closing period, which often times saves the buyer time and money.

In Jamaica, work is being done at an accelerated pace to expand our dedicated Mortgage Centre at the Matilda's Corner branch, as well as a refresh of the units in all other branches in order to optimize the network.

- **Auto Loan enhancement for the Jamaican market**

The auto loan product was improved by the introduction of a faster approval process and the introduction of a Dealer Portal, which facilitates the sharing of loan documents and other information with the selling auto dealer. This has significantly improved communication, reduced paperwork and reduced loan approval timelines.

Additionally, applicants are also able to get auto loan pre-approval up to J$5 million. We are committed to further reducing auto loan processing times and are actively working towards our goal of a one-hour loan approval time in the territories we serve.

- **Application Platforms Improvement**

On the personal loan side, Digital Lending was a key focus for the year. Now, pre-approved customers can access our Pay Advance Loan and Pre-Approved Loan offers online through our simple and convenient platforms in Jamaica and Bermuda. Loan amounts are automatically credited to the applicant's bank account on the same day the loan application is completed and given final approval.

- **Introduction of the Middle Market Business Team**

A special team has been created to deal specifically with SME clients and provide more direct focus for this group. Negotiations began with USAID to partner with us to provide greater lending opportunities to SMEs in Jamaica and the wider Caribbean.

We look forward to introducing more initiatives to further simplify the end to end processing of business loans to our SMEs in the upcoming year.

- **Rationalisation of Corporate & Commercial Banking**

Relationship building continued to be our main focus as we aim to delight our corporate clients. In keeping with this, we rationalised the management of all accounts and transferred, where required, to the appropriate sub-unit to ensure that we are able to bring more focus to each of our valued customers by providing a more personalised banking experience.

Main Initiatives for Next Year

Our initiatives for FY2020 include:

1 Capitalising on business development opportunities across the Caribbean region

2 Introducing new products and distribution channels

3 Building on our digital innovations and capacities

PAYMENT SERVICES

For FY2019, focus was placed on providing world-leading innovative payment solutions, particularly to enhance value, reliability and security for both merchants and cardholders.

Our advances were numerous and diverse, but continue to be bound by the common thread of our commitment to delivering products and services targeted at enhancing our customers' experience.

Major initiatives undertaken during the year:

Initiatives	Key Achievement and Outcome
Enhanced Cardholder Rewards	▶ **Upgrade of Travel MasterCard product to MasterCard Platinum** – Over 90% of the Travel MasterCard portfolio was migrated to a new and enhanced MasterCard Platinum product. ▶ **Enhanced Rewards on the Lovebird KeyCard** – Lovebird KeyCard holders now have access to expanded reward options such as hotel accommodations and car rentals. ▶ **Launch of a Rewards Platform for Visa Business** – A new Rewards app was developed allowing customers to register, track and redeem their points using an app or the internet.
Promoted Best in Class Innovation	▶ **Implementation of mPOS** – The Mobile Point of Sale (mPOS) service was successfully launched as a cost-effective alternative to conventional POS devices. ▶ **Implementation of Contactless Acceptance** – We continued migration to contactless cards and contactless-compliant POS machines. ▶ **Implementation of Chip Acceptance** – We continued migration to chip cards and chip-compliant POS terminals.
Tackled Red Tape and Prioritised Convenience	▶ **Automated Limit Increases on Business Credit Cards** – We automated limit increases for sole traders based on data analytics around spending patterns. ▶ **Upgrade of the eCommerce Platform** – We partnered with a new service provider to provide a more efficient eCommerce platform. ▶ **Online credit card offer process** – We implemented our online credit card origination lab. Turnaround time for customers who are KYC compliant is now less than one day.

Main Initiatives for Next Year

Our initiatives for FY2020 include:

1 Continued Product Innovation

- New Credit and Debit Card Products
- Integrated Point of Sale Solutions
- Mobile Wallet Solutions

2 Greater Technology Breakthroughs

- Enhanced mPOS solution
- Enhanced Dispute Management Portal
- Online Merchant Onboarding

Our Business Operations

CONTINUED

TREASURY & CORRESPONDENT BANKING

Our Treasury segment has primary oversight of assets and liabilities of our commercial banking businesses, and also engages in the management of interest rate risks, foreign exchange risks, funding and liquidity. This segment is also responsible for managing relationships with financial institutions and other correspondent banks.

During FY2019, the segment recorded strong financial performance despite a Jamaican environment dominated by declining interest rates, high levels of liquidity and a significant shortage of assets in the primary and secondary markets.

Major initiatives undertaken during the year:

- As an active and dominant player in the Jamaican foreign exchange (FX) market, we were able to meet the foreign exchange needs of our customers, recording annual turnover of approximately US$5B equivalent across multiple currencies for the financial year. We were also first-to-market with the reduction of the holding period for deposited foreign currency cheques from a maximum 20 working days to 10 working days. This processing-time improvement has given customers faster access to these funds.
- Another significant highlight in Jamaica was our role as leading collaborator with the Jamaica Bankers' Association in the implementation of the industry's first FX Global Code of Conduct and a related training programme through the Jamaica Institute of Financial Service. The Code establishes the desired standards of best practice for FX market service professionals and has been fully adopted by NCBJ and other financial institutions.
- Our financial institution clients continued to benefit from our treasury services, primarily in the areas of electronic payment and credit solutions. We remain steadfast in our goal to leverage technology with the use of STP (Straight Through Processing) and other electronic transactions so that we can provide our clients with the necessary speed and flexibility in response to market changes.
- During the year, we continued the integration programme with NCBJ's and Clarien's Treasury divisions, optimising Clarien's operating models to capitalise on efficiencies and enabling closer alignment with the Group's liquidity and investment management policies and practices.

Main Initiatives for Next Year

Our initiatives for FY2020 include:

We will continue to work closely with our institutional clients and other customers in managing their foreign exchange needs, for example in the area of FX hedging solutions where they could reduce FX liquidity risk and improve operating efficiency.

WEALTH, ASSET MANAGEMENT & INVESTMENT BANKING

Our wealth management segment, was able to deliver significant value to our corporate clients (government, large corporates and SMEs) across the region through the successful execution of several monumental financing transactions. These included debt transactions, initial public offerings (IPOs), additional offers of sale of shares, a cross listing of a Barbados company on the Jamaica Stock Exchange (JSE) and a rights issue with market value totalling approximately J$8.9 billion.

These transactions included, but were not limited to, debt financing for New Fortress Energy and an initial public offerings for The Lab and QWI . We also cross-listed Eppley Property Fund, the largest property mutual fund in the region. The successful execution of these large transactions demonstrates the deepening that has taken place in the regional capital markets.

In keeping with our vision to deliver value to our customers through speed, accessibility and wholesome solutions we:

- Executed non-equity transactions for both NCBFG and external entities raising funding in excess of J$125 billion.
- Addressed a key client need by stepping up the equity financing solutions offered to our corporate clients in the Jamaican market. To support this initiative, NCBCM launched an SME initiative, which saw us offering free arranger services for all companies wishing to list on the JSE Junior Market for a nine month period spanning January to September 2019.
- Revolutionised the application process for IPOs with the launch of GoIPO. This self-service portal facilitated straight-through processing and electronic submissions to the Jamaica Central Securities Depository, almost fully eliminating the need for paper applications. This is perhaps the most disruptive piece of innovation in the Jamaican wealth management industry since the dematerialisation of securities. Our objective was to deliver an entirely digital process, significantly reduce involvement of sales staff in the process and provide the convenience of participating in IPOs without having to visit a branch.
- Increased our offering of local and global bond options to clients, which translated to higher portfolio yields and increased bond trading gains.
- In Trinidad, NCB Global Finance alongside Guardian General Insurance, launched a first of its kind bundled insurance and financing product - FINGuard. The main benefits to be derived from this product include:
    - customers will not need to worry about annual lump sum payments to fund insurance renewals;
    - competitive rates on both financing of the new vehicle and comprehensive insurance coverage;
    - fixed monthly instalments as well as competitive rates and convenience.
- Acquired a client relationship management system to better manage and serve the off-shore banking clients in Cayman and to act as a monitoring tool to track leads and conversion.

Also, for the financial year, as part of our efforts to build talent within the wealth management industry, we launched our Analyst Initiative. The initiative involves recruiting top students directly out of university and investing heavily in their training and development. The progamme on-boarded its first three analysts in FY2019 and a second cohort will join the NCBCM team in the first half of FY2020.

Our Business Operations
CONTINUED

For our Asset Management services, we pride innovation as a way to expand our brand and be competitive in the 21st century climate of successful digital asset management platforms. With this customer driven business model, Guardian Asset Management (GAM) started 2019 with the launch of our G-Trade online self-directed brokerage service. This service facilitates real time trading on the international capital markets at the fingertips of our clients. We continued the technological advancement when we launched an online Robo Advisor platform – Genius, which is the first such offering in Trinidad & Tobago and the wider Caribbean Region. The platform democratises wealth creation and allows smaller investors to get the benefit of portfolio management services which were traditionally only available to the high net worth clientele while also still offering the high net worth clientele value and superior returns.

Main Initiatives for Next Year

For FY2020 our main areas of focus will be:

1. Exploring synergies within the Group to expand the wealth management product and services to the new markets in which NCBFG now operates, to deliver significant value to our stakeholders.

2. Rolling out our Remote Sales Solution – which is expected to reduce processing times for payment requests, unit trust and equity orders for our clients.

3. Enhancing our customer experience, by making further improvements and expanding features and functionalities to our digital platforms.
   - GoIPO platform will be enhanced to further simplify the experience for both NCB clients and non-NCB clients,
   - NCBCM Online - on a phased basis, clients will be able to buy and sell orders for stocks, purchase and redeem unit trusts, generate statements and deliver a new user interface and experience.

LIFE & HEALTH INSURANCE AND PENSION FUND MANAGEMENT

In FY2019 our Life & Health Insurance segment continued to focus on growing awareness of its products and services, establishing new partnerships, and deepening our relationship with our customers.

We aspire to be the dominant service provider in the pension business. Our growth in this area can be attributed to our stellar performance in managing pension fund portfolios over the last 60 years. We have expanded the product offering of the pension plans we manage by introducing a Pooled Pension Funds arrangement. This product was developed to provide Approved Superannuation Fund and Approved Retirement Schemes the opportunity to participate in a pooled arrangement which offers access to several asset classes that some funds would not be able to participate in. It also provides economies of scale, optimises portfolio diversification, fairness in trade allocation and minimises investment risks. The suite of pooled funds includes:

- Real Estate Fund
- Leases & Mortgage Fund
- Fixed Income Fund
- Equity Fund
- Balanced Fund
- Money Market Fund.

Major initiatives undertaken during the year:

- In order to drive customer education and position ourselves in the market several initiatives were undertaken, including:
  - NCBIC's PROCARE Week
  - Participation in the EMERGE Workshop series sponsorship and presentations
  - Partnership with the Dr's Appointment TV series
  - Joy of Retirement seminar series hosted by JamPro

OUR BUSINESS OPERATIONS

- Pension Industry Association of Jamaica retirement education campaign
- Total Life Care Health and Wellness Programme.

- There was a major thrust to promote health and wellness among employees and customers. One of the main themes was to embrace a holistic approach to health & wellness and to incorporate lifestles changes.
- Our partnership with Guardian Group has strengthened our position in the market, expanding our service offerings to include health insurance as well as expanding our client base.
- To show our appreciation for our pensioners, in 2018 we embarked on a project to create a Wellness and Recreational Centre for pensioners which will be located in Kingston, Jamaica. The objective of this wellness centre is to arrange social, recreational and welfare facilities for the pensioners of NCBJ and its subsidiaries. This was in response to a growing need for a source of solace and entertainment by the seniors; at this Centre former colleagues can meet old friends, reminisce, pursue hobbies and engage in "wellness" activities. The Centre is expected to be opened in the first half of FY2020.

Main Initiatives for Next Year

In FY2020 our clients can look forward to education programmes that will improve their financial literacy and the value of life insurance in creating wealth. We will also focus on improving our customer experience and developing new product solutions.

Positive customer experience can drive its own momentum, building a 'culture of goodwill', that can deliver a loyal customer base and tangible bottom-line returns. Our insurance business is mindful of this and aligns with the strategic imperative - Delighted Customers; and has begun the development of a customer experience model to drive customer loyalty, advocacy and retention of business.

GENERAL INSURANCE

Our General Insurance segment is favourably positioned with Guardian General Insurance, one of the largest Property and Casualty insurers in the Caribbean.

Having a presence in 18 countries creates a geographical spread which differentiates us from our competitors as we offer customers from various corners of the region a greater reach. Furthermore, we boast a well-balanced portfolio, which provides stability to our results, undeterred by catastrophic events.

"The key objective was to drive new top-line growth opportunities and support cross-sales by providing consistent and seamless customer experiences across all channels."

Main Initiatives for Next Year

The main focus for general insurance will be to drive a producer and customer feedback campaign, commencing in the first half of FY2020. This will help us to better understand what our customers want as we work to enrich their experiences with our organisation. We consider this engagement to be critical to understanding how we need to further innovate to remain competitive as a leading insurance provider.

Our Business Enablers

TECHNOLOGY AND DIGITISATION

As an organisation, technology is the fuel which drives efficiency in our operations. Over the past year, we have made significant investments in our technology infrastructure and have implemented multiple initiatives in this area, supporting our strategic mandates, key of which was the improvement in our customer experience.

OUR DIGITAL JOURNEY

Digitisation has caused some major disruption to the banking sector over the past few years and an increasing number of companies around the globe are using digital products and services to save time, reduce costs and add value. As we embrace digitisation, the Group continued on its path of digital transformation aimed at world-class technology with an analytical platform. The customer service outcome that is being delivered by digitisation is a banking experience for our customers that is more secure, simple, stable, intuitive, faster and overall, a more delightful one.

The Group's digital transformation journey has also resulted in shorter wait times for customers processing transactions, as well as increased customer satisfaction levels. For instance, with the introduction of account opening on tablets in branches, it now takes customers fifteen minutes or less to open an account, where previously it could have taken up to an hour. The improved customer experience has catalysed an increase in the number of customers choosing to open accounts with NCBJ due to this simpler process.

Our digital transformation vision is underway, having achieved a key milestone of 60% of all transactions being processed digitally. This journey is fuelled by innovation driven by a number of initiatives undertaken within the Group. One such initiative is the bi-annual Digital Symposium, which helps to generate ideas to transform the customer experience through digital solutions. Other supporting initiatives include the Innovation Internship Program, Staff Innovation Challenge and Customer Innovation Challenge.

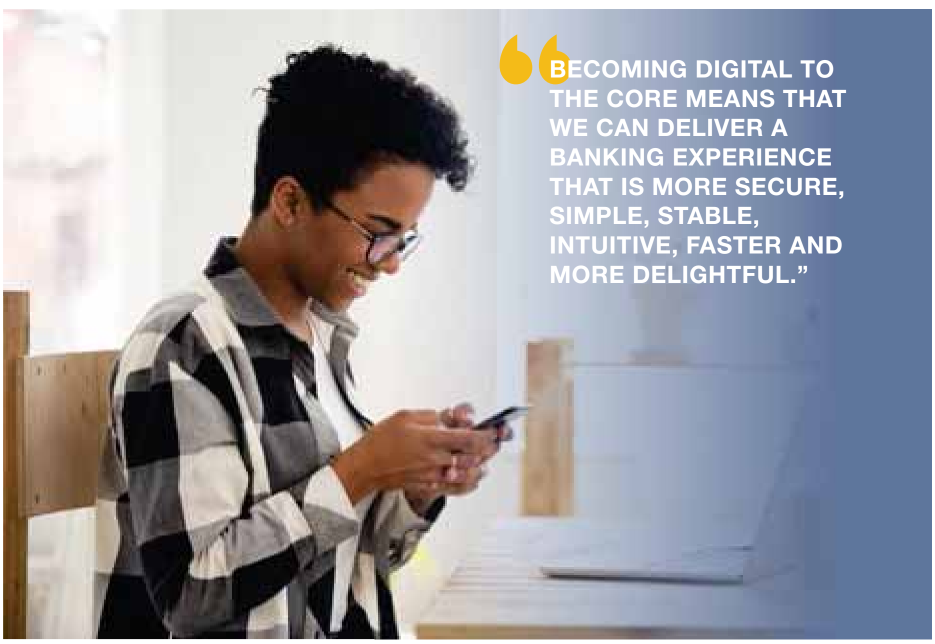
With the introduction of digitisation, Agile Labs were created to help the Group become more responsive to the needs of customers and bring solutions to market at a faster pace. One of the Agile solutions launched was the Pre-approved Payday Loan product, which offers customers an advance on their salaries at a nominal standard fee. A key feature of this loan is the digital deposit of the loan without physical interaction.

A critical part of the success of Agile Labs is that they facilitate the collaboration of many internal stakeholders in developing solutions for customers. It also involves constant testing with the customer along the way, to ensure that the solution being delivered is of value to customers. Implementation of Agile Labs has also shortened the time taken to introduce new solutions to the market.

The primary initiatives launched this year were:

- Mobile app for NCBJ's iOS users and biometric authentication;
- NCBJ's digital account opening of Quisk;
- Online Mortgage Portal and Lead Generator for NCBJ;
- NCBJ's GetKeez Integration into Online Mortgage Portal;
- Enhancements to NCBJ's Dream Home and Dream Car processes to enable 24 hour approvals and notifications to customers throughout the process;
- Clarien's iBank Mobile app and digital authenticator, designed to give clients speedy and secure fingertip access to their accounts on their smart phone devices and expand and enhance our online banking platform;
- Clarien's web-based electronic banking platform was completely redesigned and relaunched as Clarien iBank, which offered retail and commercial users greater personal control of their accounts along with enhanced customisation and security features including digital authenticator; and
- The addition of Clarien iBank Mobile and Clarien Soft Token apps has added more freedom and flexibility for Clarien's customers using their iOS or Android smartphones and tablets. Using the apps, clients are able to:
    - Pay bills,
    - Transfer between their accounts;
    - Open a savings, checking or CD account real-time;
    - Transfer funds to other Clarien accounts, local banks or internationally;
    - View Secure Messages;
    - Use Hard or Soft security tokens for secure login and transactions.

Onboarding new clients quickly and efficiently while fulfilling necessary compliance obligations has been



"BECOMING DIGITAL TO THE CORE MEANS THAT WE CAN DELIVER A BANKING EXPERIENCE THAT IS MORE SECURE, SIMPLE, STABLE, INTUITIVE, FASTER AND MORE DELIGHTFUL."

Our Business Enablers
CONTINUED

a constant challenge for financial institutions the world over. In Bermuda, we sought to find a solution to this problem in FY2019 by completely overhauling our customer on-boarding and loan origination process and workflow system. Utilising Newgen Intelligent Business Process Suite, a more efficient, digital and client-centric on-boarding and loan origination process, we have been able to streamline the account opening and loan application process, decrease the time to on-board a customer from days to a matter of hours.

This has helped to improve the customer on-boarding experience; and provided effective digital capture, storage and retention of Know Your Customer (KYC) information.
Clarien was also proud to launch its Pre-Approved Loan Offer. Developed in-house, after months of coordination involving various team members, the consumer loan product has been presented exclusively to select clients, allowing them to start realising their short or long-term goals – be it owning a new car, completing home renovations, traveling the world or investing in their future. Clarien was first-to-market in Bermuda with this type of offer. This innovative lending solution has allowed specific clients to choose the amount of consumer loan they prefer and given them a convenient way to submit their loan applications online and get instant approval – whether they are at home, on a mobile device or anywhere in the world.

Finally, in order to better streamline other cumbersome work processes, like filing and managing all customer KYC updates, Clarien has looked into ways to utilise robotics and Artificial Intelligence (A.I.). We are currently partnering with a Fintech company to develop a solution for updating KYC information of the customers – with consultation meetings to date proving promising. The aim through the use of these technologies is to increase accuracy and consistency, especially as it relates to the many repetitive tasks that our employees perform each day. Clarien is on target to be among the first banks in Bermuda to use A.I. for process automation, allowing us to stay one step ahead of our competition.

As we start the new year, we will seek to be a digitally enabled Group through the transformation of our people, processes and technology. The realisation of this objective is being built on four strategic pillars:

- Agile, Scalable Modern Technology;
- Low Operational & Technology Risk;
- Efficient, Scalable, Automated Processes; and
- Empowered, Digital Minded, Productive People.

Currently, we are working to create continued value for our customers by developing a platform to facilitate the ease of conducting simple transactions which will eliminate the need for customers to visit the branch to update their accounts. Also in 2020, customers will be able to apply for loans online and in some cases, complete all steps in the process. These Self Service solutions will give branch representatives the flexibility to attend to more service intensive support and allow for the creation of dedicated spaces to deliver these value-added services such as financial planning for major life milestones such as home acquisition, investments and children's education.

OUR OPERATIONS & TECHNOLOGY BACKBONE

At NCBJ, the main initiatives implemented to drive technological enhancements and efficiency were:

- **Core system upgrade**

  In May 2019, we undertook a massive upgrade of our core banking system, which represented the biggest upgrade we have undertaken since we first implemented Finacle. This upgrade was undertaken because of the challenges faced with system stability, which negatively impacted our team's work productivity and the experience of our customers. The purpose of the upgrade was to create a technological platform that allows us to improve on the speed, efficiency, user experience and reliability of the banking services we provide to our valued customers. We continue to work hard to ensure that these benefits are realised.

- **Upgrade of Credit Card Management Software**

  Through this upgrade, operational efficiency has improved, particularly as it relates to processing and managing credit cards.

- **RSA Upgrade**

  The upgrade of the RSA security software will help us to further minimise financial losses, as well as potential erosion of consumer confidence, as it significantly enhances the capability of the NCB Group to prevent instances of cyber fraud.

- **ABM/Bank on the Go improvements**

  The Bank on the Go platform, which is one of the most significant contributors to our evolution of the customer experience, thus far, has improved tremendously. It now allows customers to complete a transaction in five minutes, where previously, they would have had to wait in line in a branch for one to two hours.

Throughout the year, several other digital solutions were engaged to improve efficiency and create increased value for customers. These included:

- Expanded roll out of the remote cheque capture to additional customers.
- Introduction of a chargeback portal.
- Internal Portal to reduce turnaround time of Corporate Loan processing.
- Expansion in the use of document management and storage system (SharePoint)

For GHL the main technology initiatives undertaken for the year were:

- **Introduction of two new payment methods by Guardian Life Limited (GLL)**

  This year, in order to facilitate greater convenience for customers, two new payment methods introduced were:

  a) Pre authorised Credit Card payments (PCC)

  b) Mobile Point of Sale Machines (m-POS)

  PCC and m-POS were introduced to provide additional convenience for customers through which premium payments may be made. Through PCC and m-POS, GLL stood to benefit from reduced over the counter payments, timely receipt of premium payments due, improved persistency, and preservation of policies and coverage of our clients.

  To date, there are 300 persons whose premiums are paid via PCC with payments increasing by 267%.

- **Implementation of Project SkyNet by GLL**

  Project SkyNet is an ongoing project that includes the outsourcing of network connectivity, WAN, LAN, WiFi and management of our firewalls, migration of applications and data hosted in GLL's Data Centre to servers in Curacao, and Disaster Recovery for key applications. This implementation will facilitate the quick system uptime in the event of a disaster, minimum disruption for customers and reduction in reputational damage for the company.

- **Direct Channel by Guardian General Insurance (GGI)**

  Our digital portal was launched in July 2019, empowering our customers with a new avenue to attain motor insurance quotes and renew their motor insurance policies online. Clients can also use the platform, which features a custom interface, to review the status of their claims.

  This Digital Channel is supported by our Client Engagement Centre, which comprises a group of specialist Underwriters and Claims professionals, who are trained to effectively meet our clients' needs. Additional deployments are scheduled for 2020-21 as we will provide our customers with access to a full suite of products and services via the portal.

- **Process Automation, Digitisation and Customer Analytics by GGI**

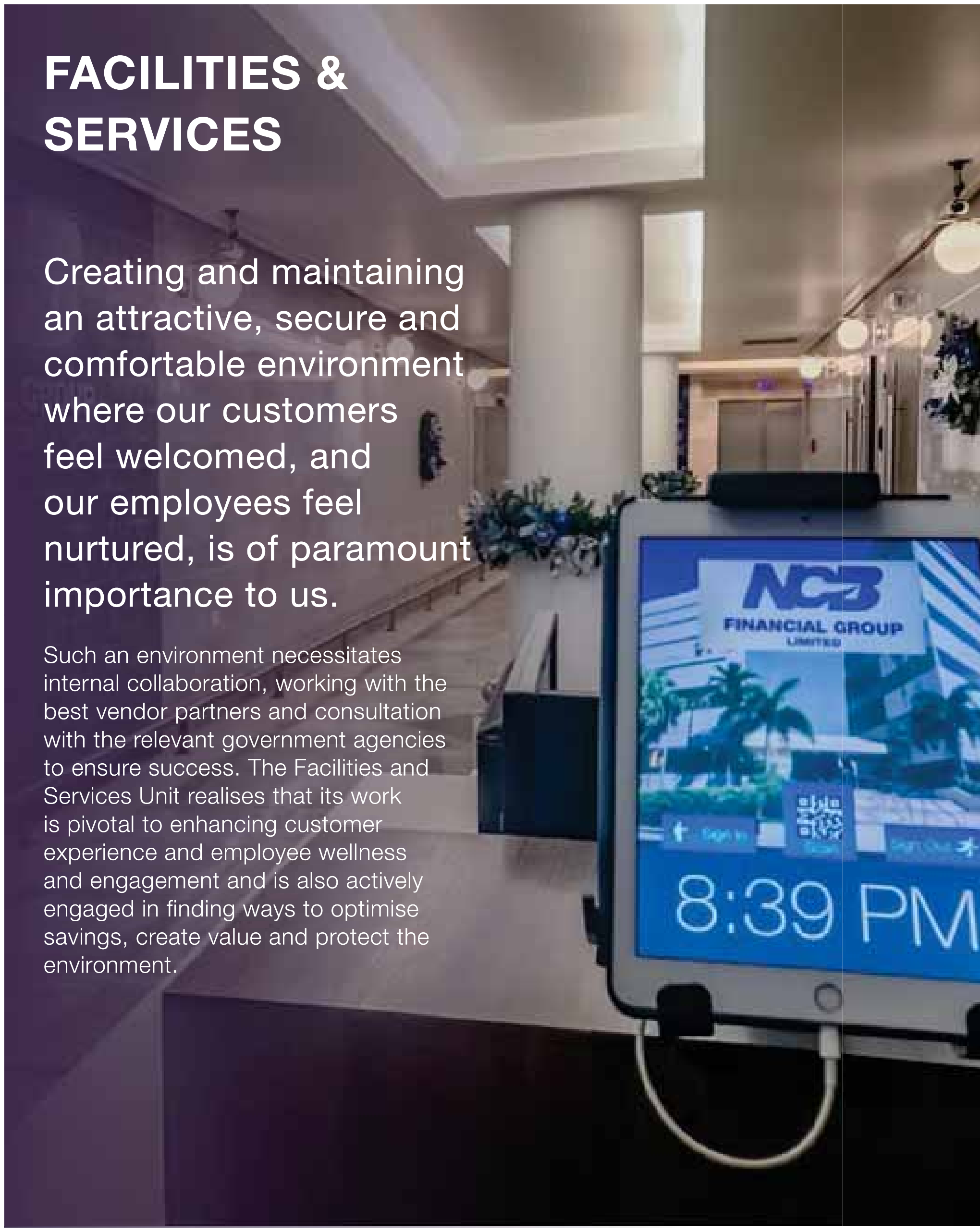
  Guardian General's Automation and Analytics processes are greatly enhancing the experiences

Our Business Enablers
CONTINUED

of our producers and customers. This is typified by our Claims Optimisation Project and our Underwriting Process Optimisation, which are on schedule for phased implementation in FY2020.

At Clarien, we continue to make significant investments in expanding product offerings, technology, risk and operational infrastructures. We have achieved the following business wins and milestones:

- Successful launch of Clarien iBank mobile and digital authenticator;
- Continued client growth of iTrade (the Clarien brokerage platform);
- Digitisation of client on-boarding and loans workflow;
- Unveiling of iPortfolio, an enhanced wealth management portal;
- Debut of Cash Secured Loan portal, a real-time digital lending application;
- Enhancements to card fraud monitoring system, including 3D Secure (3DS), an added layer of protection for online transactions.



FACILITIES & SERVICES

Creating and maintaining an attractive, secure and comfortable environment where our customers feel welcomed, and our employees feel nurtured, is of paramount importance to us.

Such an environment necessitates internal collaboration, working with the best vendor partners and consultation with the relevant government agencies to ensure success. The Facilities and Services Unit realises that its work is pivotal to enhancing customer experience and employee wellness and engagement and is also actively engaged in finding ways to optimise savings, create value and protect the environment.

DEVELOPMENT, RENOVATION AND RECONFIGURATION INITIATIVES

FY2019 has seen improvements to key areas of several of our locations. Significantly, NCBFG's head office building ('The Atrium') underwent a major renovation to make it more aesthetically appealing and incorporate special considerations to support the well-being of our team members who operate from that location. We are proud to say that it has significanty improved the experience of both customers and employees who use the facility.

Branch renovations and upgrades were completed to enhance the customer experience at some of our locations as follows:

- Negril Branch: In order to more efficiently and comfortably serve the growing number of customers in that area, the Negril branch was updated and customers are now able to access our full suite of services. The branch now has three ABMs, one of which dispenses US currency, ensuring there is now continuous access to our services.

- Baywest Branch: Renovations were done to create a friendlier environment so we can better meet the needs of our customers as well as accommodate staff more comfortably. Work was completed to close the St James Street branch, a move that helped to achieve greater operational efficiencies, as both Baywest and the Fairview branches could serve those customers.

- St. Jago Branch: Both the ABM network and facilities at this branch received upgrades.

We continue ongoing maintenance and upgrading of our branches to ensure that our customers receive a world-class experience when they visit our locations.

Safety and efficiency continue to be of key importance to our business and we will continue to work towards ensuring that measures to thwart and deter attempts to breach our facilities are in place and functional. The upgrade of our CCTV capabilities in the coming year is one way we will better manage the security of our properties. In continuation of a recent project to increase energy efficiency, we will replace outdated air-conditioning units and add more solar photo-voltaic units to our existing complement, in order to decrease our dependence on fossil fuels as well as decrease costs. There were no new environmental activities but we continue to reap the benefits of initiatives from previous years, such as the use of solar energy.

SUPPLY CHAIN MANAGEMENT

Automation of the procurement process has resulted in increased efficiency. This has helped us to realize cost savings and contributed to a more fruitful relationship with suppliers. A major success in this area is the implementation of a procurement portal which resulted in suppliers being able to submit bids remotely online. In line with the organisation's general push towards digital, this initiative ensures transparency, accessibility and accountability for all involved. The process was also made more efficient through the implementation of tiers for our approval process, to ensure that all suppliers are paid faster to reduce penalties and late fees. Invoices are also submitted electronically, and payment can be tracked and streamlined 24/7. We continue to review and improve our supply chain process in order to create continued value for our commercial partners.

NON-BRANCH CHANNELS

Non-Branch Channels focuses on developing distinctive digital capabilities, improving customer experience and optimising efficiency.

NCBJ's e-channel network continues to be the largest in Jamaica as the goal is to give our customers more choices to do their banking safely, while increasing shareholder value through the reduction of operational costs. For this year, whilst there was tremendous progress in enhancing the customer experience and safety with more feature-rich technology, there were also significant challenges with the upgrade of NCBJ's online banking and mobile applications. However, the upgrades resulted in a far more robust, friendly and powerful platform, which allows us to deliver a more delightful experience for our customers.

We will continue to provide our customers with world-class tools to allow them to access our services and support, whenever and wherever they are needed.

ABMS

For NCBJ, our fleet of ABMs grew to 285 ABMs across Jamaica and we also worked on implementing improvements to the fleet. We completed the project to upgrade and replace outdated machines to ensure that the fleet was more user-friendly, safer and more reliable. Many of these new ABMs also feature additional capabilities, which when rolled out, will further enhance the customer experience.

In Bermuda, we launched new iABMs (Intelligent Automated Banking Machines), set to be at nine new locations throughout the Island to meet our clients' need for a larger ATM footprint and to enhance the user experience for Clarien Bank.

A primary concern of customers is safety and as we continue to stay ahead of breaches, we have undertaken projects to further improve data protection. In Jamaica, we have also rolled out other safety interventions such as upgrades to lighting and cameras, which will complement the bolstering of the technology.

We also addressed the concern of accessibility for some of our customers through the implementation of technology to assist visually-impaired customers at our ABMs.

We will continue to implement several initiatives to allow for a greater range of services and capabilities that can be delivered at these machines, in the near future.

MOBILE APP

Our mobile application continued to gain momentum during the financial year. Over 70,000 customers have access to the application, and a very high percentage of them use it frequently. During this financial year, the following features were added to the app:

- Release of an iOS version,

- Customers can now view their NCB Capital Markets account balances,

Our Business Enablers

CONTINUED

- Currency Converter,
- ABM locator, and
- Biometric Authentication where customers can sign in by facial recognition or their fingerprint.

While feedback from our customers has been positive, there will be additional enhancements to the mobile app, such as the ability to transfer funds to accounts at other banks.

ONLINE BANKING

The upgrade to the internet banking platform means that all customers of NCBJ now have access to a modern and easy-to-use tool to manage their financial lives. The new interface is intuitive and user-friendly. Data has been used to ensure that the most popular features and information is easily accessible for quicker navigation.

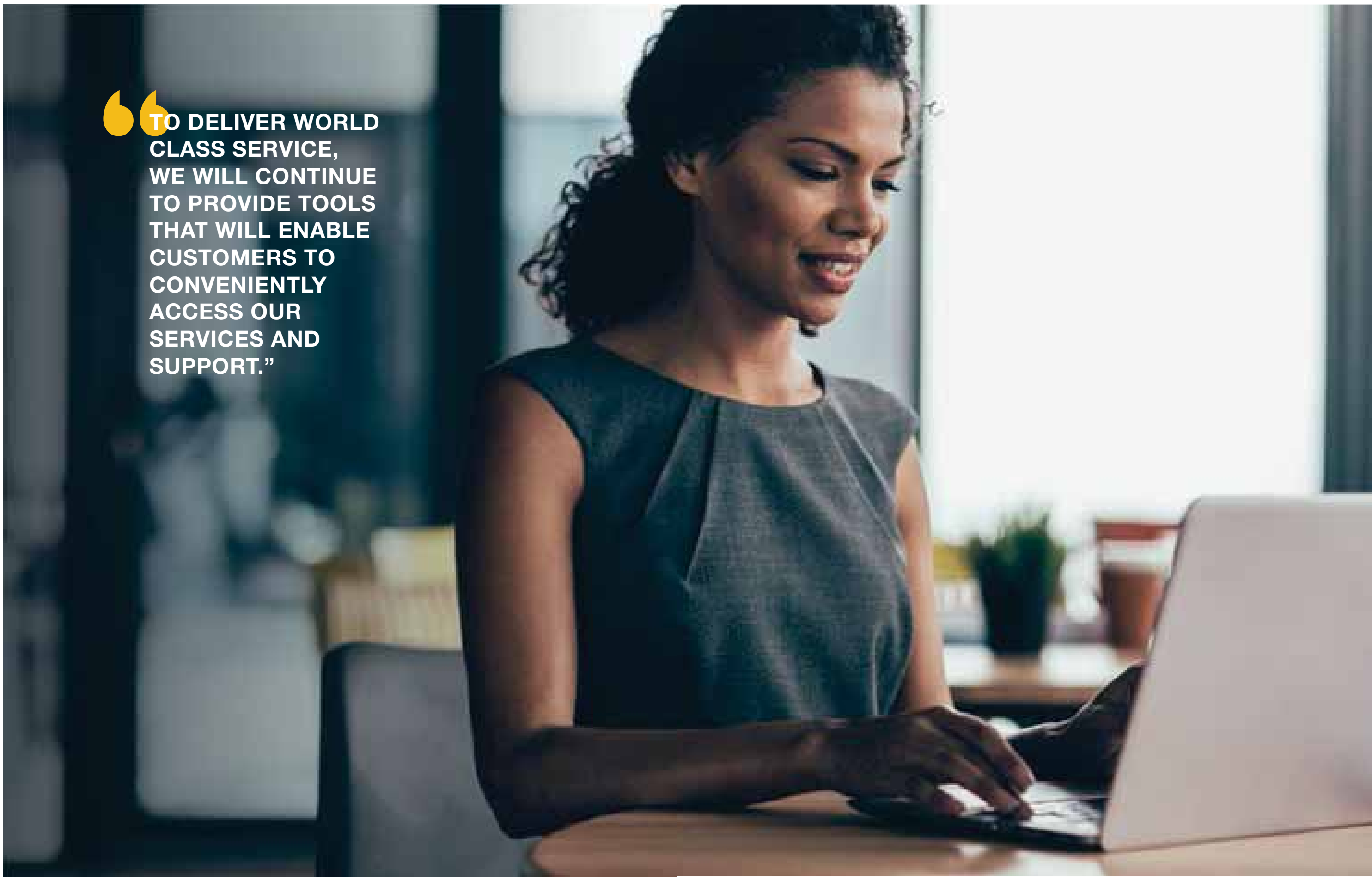
In addition, capabilities for both our Business and Personal Banking customers have vastly improved:

Personal Banking Customers
▸ Simpler new-user registration
▸ Data is protected with the use of an RSA token for two-step authentication
▸ New customers have immediate access to their online accounts.
▸ Customers are now able to set, edit and cancel recurring transfers

Business Banking Customers
▸ Easier creation of bulk payment files for payment to multiple recipients
▸ Customers can customise their company's daily transaction limits across the enterprise

We were also delighted to unveil, at Clarien Bank, enhanced or new functionalities online as follows:

- **iTrade** – This product is suitable for all users and can be used simply as a standalone account for equity trading or for more advanced needs, serving as a client's financial hub and housing all investments and cash. The iTrade platform allows clients a



combination of self-directed and assisted access to almost all global listed assets. They also have easy access to exchanges in more than 20 countries and spot trading on over 15 currencies. Through iTrade, our clients can hold, send and receive wires to any of their bank accounts globally, in any of the currencies available. They can also consolidate their assets, including foreign currencies and even some mutual funds, into one account. Clarien's iTrade account has the flexibility to access those assets instantly through automatically approved margin.

- **iPortfolio** – An innovative investment management tool, iPortfolio is a personal financial portal that gives clients the freedom to fully manage their investment portfolio from their desktop, tablet or mobile device. They can also customise content and market information specific to their financial interests. Other capabilities include the ability to configure documents to their needs and the option of connecting with their network of wealth management experts.

- **iBank** – An enhanced eBanking platform designed to provide the control, security and payment convenience clients want, iBank provides clients with 24/7 access to their account balances, recent activity and various other operations. It allows them to initiate wires, transfers, foreign exchange operations, pay bills and complete an array of banking transactions. Designed with market-leading security measures, iBank offers an international standard multifactor authentication for log in and transactions, available immediately in hard token format. Other benefits include easy access to customer account portfolios, history and statements and customisable alert functionalities, end user configurability and control.

KIOSK

The banking kiosks within our branches continue to be a convenient alternative for our customers. These kiosks extend the options for customers to perform their own banking transactions with limited wait time. Services that can be accessed using the kiosks include:

- Transfer of funds within accounts
- Make bill payments
- Check account balances
- View the last 10 transactions
- View Lovebird Points
- Request for cheque books

CUSTOMER CONTACT CENTRE

There will be a deliberate focus on shortening wait times, as well as improving the experience when customers call our representatives to resolve issues and access services. We have responded with an increase in our cadre of representatives to ensure that we are adequately resourced at all times.

In the coming year, we will implement additional capabilities - such as live chats - and an improved platform for greater reliability to better serve our customers. Artificial intelligence will be utilised as this has been used with positive effect in similar customer care centres. A review of this technology will be conducted in order to determine if it can add efficiency and efficacy to our offering, at the standard we have committed to our customers.

Risk Management and Governance

Effective risk management is vital to our overall operations. Accordingly, our risk management process has been designed to monitor, evaluate and manage the principal risks we assume in conducting our Group's business activities, in order to mitigate losses.

RISK MANAGEMENT PRINCIPLES

For the Group, risk management continues to be the "business" of all employees. There are three layers which act as governing mechanisms to manage risks faced by the Group:

- **Business Lines:** Responsibility for identifying and managing inherent risks exist first within each business unit, with employees being accountable for identifying, assessing and managing potential exposures and threats within the scope of their assigned responsibilities.

- **Risk & Compliance:** This business function exists at the subsidiary and Group levels, where responsibilities are to provide oversight for the effective operation of risk management by Business Lines. Risk & Compliance's role also includes developing policies and monitoring their adherence by employees.

- **Internal Audit:** This Unit provides independent assurance and monitoring regarding the effectiveness of the risk management performance carried out by Business Lines and the Risk & Compliance functions across our organisation.

As our Group expands regionally, and continues to be an increasingly complex business, we become more exposed to several material risks which could have a damaging impact on our reputation and business sustainability. Risk-taking is fundamental in the pursuit of value and the Group's success across all its operations. As such, we remain committed to ensuring that our Enterprise Risk Management framework is robust and secure.

We consider this framework to be most suitable for the management of the Group's risks, as its elements ensure that material risks assumed in the execution of the strategic initiatives of the group are adequately identified, assessed and managed.

Below we share elements of our Enterprise Risk Management Policy and descriptions of the significant risks faced by the Group.

THE GOVERNANCE FRAMEWORK

The Group's risk governance framework is intended to provide a comprehensive set of controls and ongoing management of the major risks assumed in the Group's business activities. This framework covers the Corporate Governance and Nomination Committee of the Board, legal, risk management and compliance functions. NCBFG's Board of Directors assumes ultimate responsibility for oversight of the Group's risk taking activities and delegates that responsibility to the Group Risk Committee and Audit Committee. These committees are supported by the Board Risk Committees and the Audit Committees of the subsidiaries. The committees which support the management of risk within the Group are outlined below:

- **The Group Asset & Liability Committee (Market & Liquidity Risks)**

  The Committee is responsible for monitoring and ensuring the effective and efficient management of market risks and risks relating to the mix of statement of financial position, assets and liabilities as well as the holding and trading of foreign currencies and designated investment securities.

Risk Management and Governance
CONTINUED

- **The Group Capital Management Committee (Capital Adequacy)**

  This Committee is responsible for setting and monitoring overall capital management principles in line with the Group's enterprise-wide risk framework and appetite.

- **The Compliance Management Committee (Legal & Regulatory Risks)**

  This Committee's purpose is to monitor the status of legal and regulatory compliance within the Group.

- **The Information Technology Steering & Product Approval Committee (Information Security Risks)**

  This Committee's responsibilities include the provision of oversight of the strategies, policies and procedures in place to manage information technology and information security risk exposure throughout the Group including an effective risk organisation structure and effective governance processes. The Committee also approves business product development and major product enhancements.

- **The Fraud Prevention Management Oversight Committee (Fraud Risk)**

  The Committee provides oversight for the Fraud Prevention Unit which is responsible for managing the Group's fraud risk.

SIGNIFICANT RISKS

The following are risks that could have a material impact on our financial results, reputation, customer defection and the sustainability of our long-term business model.

CREDIT RISK

We define credit risk as the risk that a customer (i.e. a borrower) will default on promised payments (e.g. principal, interest, margin, etc.) or that a trading partner may fail to fulfil its obligations on a transaction or portfolio of transactions, and NCBFG must terminate the trade or replace the counterparty at a loss. Credit risk arises primarily from the making of loans to consumers, businesses and sovereigns, financing of trade transactions, leasing activities, reverse repurchase arrangements and off-statement of financial position transactions such as guarantees. Credit risk attracts the largest regulatory capital requirement. The Group's Credit Risk Policy provides a set of guiding principles and control framework which is intended to identify, assess, measure and monitor credit risk exposure.

As part of an ongoing Credit Risk Policy review process, changes are recommended to the Group Risk Committee (GRC) for its consideration.

Being a regional entity, we recognise that our risk oversight must continue to consider the economic environment of the territories in which we operate. In addition, exposure to sovereigns also occur during the lending process. During the year, the countries within which we substantially operate experienced mixed fortunes. Standard & Poor's downgraded Barbados sovereign ratings to SD (Selective Default) from CC/C; Trinidad's outlook was revised to Negative from Stable; Jamaica's outlook was revised to Positive from Stable and Bermuda's outlook was also revised to Positive from Stable.

To manage our sovereign credit exposure, limits are established, monitored and reported to the GRC for sovereign credit exposures.

Additionally, our corporate credit portfolios are continuously reviewed using key loan portfolio metrics and emerging trends, which are reported on to the GRC.

LIQUIDITY RISK

Liquidity risk is the potential for loss if the Group is unable to meet its payment obligations as they fall due. These obligations include the requirement to honour liabilities to depositors and suppliers when they fall due; and take advantage of profitable opportunities when they arise.

The Group is also exposed to market liquidity risk, which is the risk of being unable to unwind a position in the face of inadequate market activities or unavailable market prices.

The Group's Enterprise Risk Management Policy requires that we manage liquidity within established policy guidelines, limits and/or benchmarks. One of the principal liquidity strategies pursued by the Group is maintaining diverse and stable sources of funding. Accordingly, the Group's liquidity funding providers include diversified retail customers and corporate customers, as well as repurchase agreements and long-term secured funding sources, which include financing transactions involving the securitisation of assets, such as "Diversified Payment Rights". We also monitor the credit rating of the Group as this can impact the availability and cost of credit.

The Group Risk Committee and the Group Asset & Liability Committee (GALCO) closely monitor the Group's liquidity risk positions and review all the relevant information including:

- Factors affecting liquidity in the respective domestic markets
- Key liquidity metrics, their trends and comparisons with established limits and benchmarks
- Liquidity scenarios and strategies to manage various scenarios

MARKET RISK

The Group addresses exposure to market risk, which is the risk that movements in certain market variables such as interest rates, foreign exchange rates, equity prices, market liquidity and credit spreads will adversely affect our income and/or the value of our portfolios.

Our market risk management infrastructure incorporates the definition, approval and monitoring of limits as well as the performance of stress testing and qualitative risk assessments.

Risk Management and Governance
CONTINUED

OPERATIONAL RISK

Operational risk is inherent in each of the Group's businesses and support activities, including the risk of fraud by employees or others, unauthorised transactions by employees, and operational or human error. Due to the high volume of transactions being processed, we are also subject to errors which may go unnoticed over an extended period of time despite our best efforts at efficiency and accuracy. Deficiencies or failures in our computerised systems, telecommunications systems, data processing systems, vendor-supplied systems and in our internal processes could result in financial loss and/or reputational damage.

Despite our contingency procedures, the aforementioned deficiencies, in addition to business disruptions caused by natural disasters or other factors, may still negatively impact our ability to conduct our business, thereby resulting in damage to the Group's business and brand.
Cyber security and the Group's technology infrastructure and internal and external fraud risks were the operational risks that continue to receive the greatest attention of the GRC.

INSURANCE RISK

Insurance risk is the risk, other than financial risk, of loss transferred from the holder of the insurance contract to the issuer (NCBFG Group entities).

Bancassurance

We operate an integrated bancassurance model which provides wealth and protection insurance products and we issue contracts that transfer insurance risk, financial risk or both, primarily through bancassurance arrangements. Insurance contracts transfer material insurance risk and may also transfer financial risk. As a general guideline, we define material insurance risk as the possibility of having to pay benefits on the occurrence of insured events which are at least 10% more than the benefits payable if the insured event did not occur.

Life Insurance

The Group is also exposed to life insurance risk, where there is a possibility of having to pay benefits on the occurrence of an insured event. The Group has to assess the risks undertaken in issuing insurance contracts, such as frequency and severity of claims. The potential for loss is inherent due to the predictability that can arise from assuming long-term policy liabilities or from the uncertainty of future events.

General Insurance

We also operate general insurance subsidiaries which underwrite the following general insurance business – Motor, Property, Pecuniary Loss, Liability and Accident.

Principal risks associated with the general insurance business include pricing risk. Inadequate pricing of insurance contracts could result in claims honoured exceeding premium income. Over pricing of the business could also diminish the Group's competitiveness, thereby destroying value.

This segment also faces the risk of inappropriate reserving around over-adequacy of the reserving level, which would negatively affect the Group's strength, or the inadequacy of the reserving level, which would necessitate a large injection of capital when the inadequacy is discovered.

REGULATORY & LEGAL RISK

The Group is also subject to regulatory risk and legal risk, which could have an adverse impact on its business. Regulatory risk arises from a failure to comply with regulatory and comparable requirements. Legal risk manifests itself through failure to comply with legal requirements, including ineffectiveness in the management of litigation proceedings.

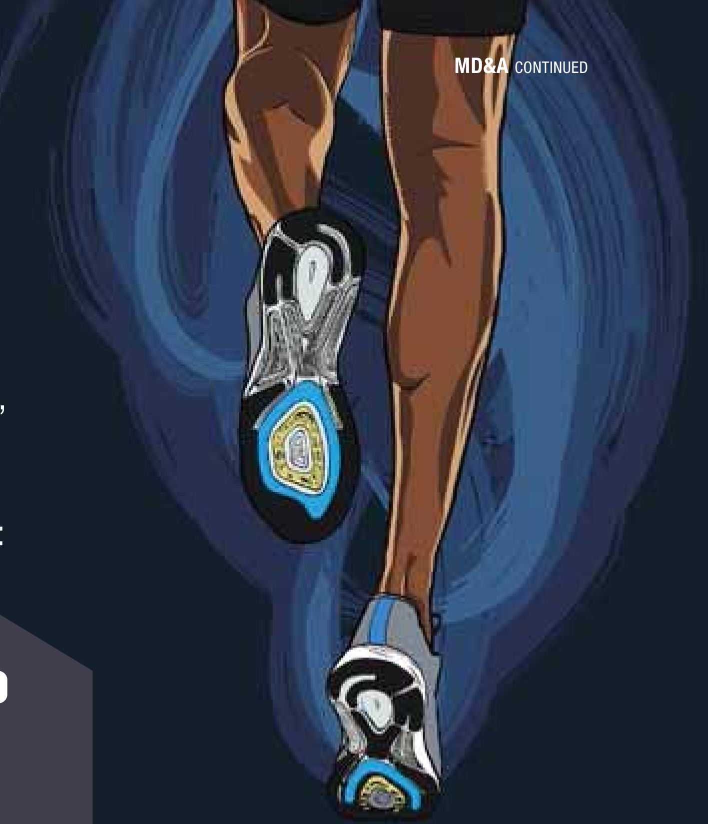
The Financial Services industry is one of the most closely regulated industries, and the management of a financial services business such as ours is expected to meet high standards in all business dealings and transactions. Failure to adequately address conflicts of interest, regulatory requirements, financial crime regulations, privacy laws, information security requirements, ethical practices and other legal requirements not only poses a risk of censure or penalty after litigation, but may also put our reputation at risk. Business units are the first lines of defence and are responsible for managing day-to-day regulatory and legal risk, while the Group Legal and Compliance Division acts as the second line of defence, assisting in the provision of advice and oversight.

REPUTATIONAL RISK

Reputational risk is the potential that negative publicity, whether true or not, regarding an institution's business practices, actions or inactions, may cause a decline in the institution's value, liquidity or customer base. All risks may have an impact on reputation, which in turn may negatively affect the brand, earnings and capital. Credit, market, operational, insurance, regulatory and legal risks must be managed effectively in order to safeguard our reputation.

The management of reputational risk is overseen by the Group Risk Committee as well as the senior executive team. However, every Group employee or representative has a responsibility to contribute positively to our reputation. This means ensuring that ethical practices are followed at all times, that interactions with our stakeholders are positive, and that we comply with applicable policies, legislation and regulations.

Our Strategic Outlook



In 2016, we launched NCB 2.0: Faster, Simpler, Stronger – Setting the B.A.R. in the financial services industry. This strategy was anchored on three pillars:

This strategy was designed for the 2016 – 2020 financial years. While the period is not complete, we have been successful in achieving some of the important milestones outlined in the strategy. In FY2018, we generated net profit after tax of over $200M USD, two years ahead of schedule. Other key accomplishments under the strategy are outlined below:

Key Accomplishments under NCB 2.0: FASTER I SIMPLER I STRONGER

01 BUILDING A WORLD-CLASS DIGITAL EXPERIENCE

We launched the first publicly known Agile Lab in the English speaking Caribbean and successfully developed several solutions designed to enhance the experience of our customers. A subset of these solutions are listed below:

- Digital deposit account opening solution, which has reduced the average customer processing time from ~45 minutes to ~15 minutes. Today, over 80% of new deposit customers are onboarded using this faster and simpler solution.
- Digital pre-approved lending solution which enables customers to access pre-approved term and pay day loans online in under 10 minutes without visiting a branch.
- In branch digital loan process which enables customers to apply and receive disbursed loan proceeds in their accounts in under 30 minutes.
- Credit card alerts with transaction, balance, payment and due date notifications for customers, which allows customer to keep track of their finances and be alerted in the case of fraudulent transactions.
- Mobile app with 4.4 Google play store rating.
- Launched GoIPO portal to facilitate digital applications for shares in initial public offerings enabling greater market access to equity offerings.

02 ACCELERATING REGIONAL EXPANSION

- Acquisition of a 50.1% majority stake in Clarien Group Limited.
- Acquisition of a 61.967% (up from 29.99%) stake in Guardian Holdings Limited (GHL), which represents direct foreign investment in a Caribbean based entity with reach in over 20 jurisdictions.

03 REINVENTING CORE BUSINESS

- Transformation of select branches to cash-less and other formats to improve efficiency and customer experience.
- Expansion of self-service options for clients.
- Automation of underwriting for unsecured and cash secured consumer loans and credit cards.
- Significant investments in

infrastructure improvements (e.g. ABMs) and technology to provide robust protection of customer data and financial assets. Examples include:

- First in the Jamaican market to complete rollout of EMV, chip and contactless technology across our ABM and POS platforms.
- Only bank in Jamaica with official Payment Card Industry (PCI) certification, a global standard for card issuers and acquirers.
- Implemented dual-factor authentication, using the RSA Security Token to safeguard online transactions of customers.

- Exposed over 2,000 employees to training in Agile, Data Analytics, User Interface/User Experience design and a number of other emerging skills in demand globally.

In the spirit of continuous improvement, we decided to embark on a new strategic journey having achieved many of our key milestones ahead of the 2020 target.

Our new aspiration for FY2024 is to become a world-class Caribbean financial ecosystem.

For us, **world-class** means we will provide products and services that are considered among the best in the world, not just among the best in a particular country or the Caribbean region. Our customer service expectations have been elevated because of their experiences with world-class companies. Therefore, we are focused on delivering at this standard. We are also confident that a Caribbean institution can develop best in world solutions.

According to Gartner, a business **ecosystem** is a network of organisations—including suppliers, distributors, customers, competitors, government agencies, and so on—involved in the delivery of a specific product or service through both competition and cooperation. Becoming a Caribbean financial ecosystem means we will integrate the products and services available from our Group of companies and our extended network of partners to provide customers with a seamless one-stop service experience for their financial needs.

4 FEATURES of our aspiration to become **a world-class Caribbean financial ecosystem**

01 We will deliver world class growth, efficiency, return on assets and return on equity.

02 We will become the employer of choice, with strong organisational health, and a place where each employee is proud to be a part of the team and committed to our success as an organisation.

03 We will be the preferred and most trusted financial partner for customers across segments.

04 We will operate a world class technology and analytics platform that enables fast, simple, intuitive, secure, stable, and delightful digital first experiences for customers and employees.

Our aspiration is bold and exciting because of all the benefits to be derived by all our valued stakeholders.

Corporate Social Responsibility

Our Corporate Social Responsibility policy relates to four main areas: community outreach, ethics, employment practices and stakeholder engagement. As a Group, we remain committed to engaging in activities that will balance the long-term viability of our business with social and environmental accountability, while recognising our role as a corporate leader in the region.

ETHICS

NCBFG continues to uphold good ethical standards and practices as a critical part of its business operations. These standards are supported by our policies and procedures, which are governed by the Group HR & Facilities Division. This includes employment practices and disciplinary procedures, such as the Code of Business Conduct, which applies to all employees.

Employees are trained in ethics and financial crimes compliance at onboarding. Additionally, every year, employees are required to undergo training on customer service, information security and financial crimes compliance. For most employees, the information security and financial crimes compliance training is administered through online courses, while for the senior team and Board, the training is done by invited trainers based on themes considered relevant at the time and based on their functions. The courses provided to these persons during the year are outlined in the Corporate Governance Statement in this Annual Report (page 30).

COMMITMENT TO EMPLOYEES

In the 2018/19 financial year, our focus was on learning and development as well as talent management.

Learning and Development

Our focus around reskilling and upskilling was a major imperative for the organisation for the financial year as it is key for the transition to the future of work. Changes in technology, work practices and business models have created a tremendous demand for conditions development. In keeping with our Digitisation agenda, the Corporate Learning Campus (CLC) launched the School of Digital Transformation and Analytics. Its focus being to build a strong workforce and a sustainable ecosystem of stakeholders with the digital and analytical mind-sets, skills, capabilities and behaviours that will enable NCBFG's transformation to a fully digital and agile enterprise while supporting the broader transition to digital economies across the region. Since its launch in January 2019, over 740 employees completed courses, which built competencies in the areas of digital transformation, business process improvement, artificial intelligence, agile and analytics.

We also continued to build these skills with the completion of our second internship programme in partnership with the University of the West Indies. Fifteen interns completed the programme and joined the Group with expertise in areas such as Data Science, Agile, UI/UX Design, Mobile and Web Development.

Talent Management

During the financial year we focused on enhancing the framework for talent development with the launch of a Talent-First model focused on strengthening high performers and identifying and building the competencies of all employees. This initiative included the implementation of a continuous recruitment strategy with the development of a talent database of key talent. This optimised our ability to identify key talent required based on business needs.

Other Initiatives For Employees

Over the year, we also initiated several wellness and reward/recognition initiatives aimed at engaging our internal stakeholders. Some of these initiatives include:

- **NCBIC Cares Programme**
  This initiative focused on providing health and wellness coaching tips to staff in a bid to encourage them to take care of themselves. The programme featured sharing of tips and wellness information as well as engagement activities such as trivia and participation in 5k runs and other events throughout the year.
- **NCBFG Staff Innovation Challenge** In keeping with our digital theme, we continued the staging of our staff innovation challenge which allows staff to pitch their ideas relating to implementing some kind of innovation within the organisation.
- **NCB Pinnacle Awards**
  This major reward and recognition programme seeks to highlight top performers in sales and support units across the organisation.

COMMITMENT TO CUSTOMERS

As we journey towards becoming a world-class Caribbean financial ecosystem, our service quality must keep apace. Service excellence has always been at our core; therefore, for the financial year we continued to measure the customer experiences at various touchpoints - in-branch, Customer Care Centre, and Online, as well as enhanced our Complaints Management System to become more

Corporate Social Responsibility

responsive to addressing challenges expressed by our customers.

Complaints Management System

During the previous financial year, we introduced a new complaints management system that included the automated routing of complaints to the relevant/responsible units, a consolidated view of all complaints across the Enterprise, and improved data capture and quality. We have since embarked on Phase 2 where the system has been enhanced to facilitate the dissemination of messages via SMS as it relates to the status of complaints and the level of resolution reached or in progress. This has resulted in faster updates and greater efficiencies. This initiative has allowed us to become more responsive in addressing the challenges of our customers.

As we seek to delight our customers, we will be working on the following:

- **Mapping Our Customer's Journey from End-to-End**
  We are committed to providing strategic leadership across the Group, as we take ownership of our "customer-obsessed" mantra, which is germane to the NCB culture. We have designed a construct whereby the end-to-end customer experience of those using our channels to avail of services from our various business lines can be mapped. This end-to-end mapping details the full journey of the customers' experiences and the data used to enhance our service delivery. The aim is to anticipate our customers' needs and expectations prior to them recognising that a need exists.
- **Delighting our Customers**
  Designing solutions to delight customers or to enhance service quality cannot be rushed. It is a road that must be travelled cautiously, testing and retesting to garner insights in order to make informed, objective and effective decisions. For FY2019, we have accomplished approximately 60% of our target, despite the challenges encountered. This is a work in progress but nonetheless, we are gathering wins as we continue to delight customers.

In addition to this, Clarien also successfully set its sights on improving the customer onboarding experience. Onboarding new clients quickly and efficiently has been a constant challenge for Clarien over the last few years. In 2018, Clarien began implementing a new customer onboarding system, which has helped to improve customers' first interaction when they open a new account and begin their relationship with us. Our goal is three-fold: to make this process as smooth as possible, while complying with all regulatory requirements and giving clients a highly satisfying experience. Clarien is striving to see clients walk away in an hour or less with a new account, plus access to online banking.

Clarien has also enhanced the client loan process to make it faster for customers. The goal is to be able to process and advance loan funding if less than five days. Early demonstrations of a new project to assist with this have been promising.

As a Group, we aspire to upgrade and enhance our Complaints Management System, undertake Channel expansion to facilitate feedback and also facilitate an enhanced in-branch experience through digital solutions, improved processes and reduced wait time.

COMMITMENT TO OUR COMMUNITIES

The success of any community is the individual parts working together, with shared interests and goals to achieve greatness. As a Group, we have invested heavily to build and develop the communities we serve in the territories in which we operate. Initiatives were undertaken across the Group and we thank our customers for their loyalty and patronage over this period. We are grateful to our shareholders for their support, and to our employees for their commitment and team spirit.

N.C.B. FOUNDATION

N.C.B. Foundation was originally financed with 0.50% of the NCBJ's prior year profits and 0.50% of the prior year personal keycard sales under the Jamaican Education Initiative. However, the funding formula has been revised and is now settled at 1% of the NCBFG's prior year's profits.

For FY2019, a total of $176.6 million was committed to support initiatives aligned with the Foundation's three main areas of focus: Education, Community Development & Sports and Youth Leadership & Entrepreneurship. 13,400 man-hours were invested in initiatives done over the period and over 1.5 million lives have been impacted.

Education continues to be the area of remit that receives key funding and support to address the poor numeracy and literacy indicators, student enrolment declines and the rising cost of education with an allocation of over 60%; Youth Leadership and Entrepreneurship continues to develop future leaders and contributors to

the Jamaican economy with an allocation of 10% and Community & Sports Development is used as a tool for unification and social changes with a budgetary allocation of 30%. We see education as a key national priority and business enabler as it impacts customers and employees of the future, and consequently the sustainability of our business as a financial services conglomerate.

Project Highlight – N.C.B. Foundation Scholarship Programme

N.C.B. Foundation celebrated its 16th Anniversary this year. As part of our celebrations we increased the 2019 Scholarships and Grants programme allotting over J$60 million an increase over the prior year's allocation of J$40 million.

Amongst the recipients a total of 28 students were awarded scholarships valued at J$300,000 each, per year for the duration of their school life, once they maintain the minimum GPA of 3.0 or a B average.

14 students were awarded the premier Parish Champion scholarships; while another 14 students were awarded an I.C.O.N. scholarship, which is awarded to students pursuing careers in emerging industries like Science, Technology, Energy and Mathematics (STEM) and the Creative Arts. Additionally, the four top scholars of those 28 recipients were awarded National Champion and National I.C.O.N. Champion titles, earning each of them an additional $300,000 per year for the duration of their studies.

As part of our 'Sweet 16' celebrations, four students were also peer-nominated to receive the inaugural Michael Lee Chin Award for Excellence – a special J$160,000 community grant which can be donated to a charity or used to fund a project in their communities.

An additional 450 students across Jamaica were awarded grants, an increase over last year's 350 students. This was largely due to the increase in allotment of funds as part of the 16th year celebrations.

Corporate Social Responsibility
CONTINUED

GUARDIAN GROUP

As a flagship organisation in the Caribbean, Guardian Group continues to expand our social community outreach programmes throughout the English and Dutch Caribbean, with a primary objective to turn our efforts into tangible benefits for our societies.

PROJECT HIGHLIGHT CHARITABLE RUNS

In Trinidad and Tobago, SHINE 2018 (Securing Hope for those in Need) was one of the major philanthropic activities undertaken. This 5K and 10K Race attracted over 5,000 runners and walkers who all played an important role in raising in excess of TT$400,000, with 100% proceeds being donated to several children's charities throughout Trinidad and Tobago.

In Jamaica, the Guardian Group Foundation once again staged the Keep It Alive 5K Night Runs and hosted over 14,000 participants in Kingston and Montego Bay. A total J$23.35 million was raised to purchase equipment for four beneficiaries: University Hospital of the West Indies, Mandeville, Cornwall and St. Ann's Bay Regional Hospitals.

In the Dutch Caribbean, the Guardian Group Fatum Walk & Run celebrated its 35th anniversary, with thousands walking and running to show their support. The signature event took place during the month of May in Bonaire, June in Aruba, October in St. Maarten and Curaçao and collectively attracted 10,000 participants.


SHINE 2018 5K & 10K Charity Walk/Run


Participants warm up for the Keep It Alive 2019 5K Night Run


35th Anniversary, Guardian Group Fatum Walk & Run

CLARIEN FOUNDATION

The Clarien Foundation is a charitable trust that oversees and executes all charitable endeavours and donations made by Clarien Bank. Its main objective is to provide financial and in-kind support for charities and their fundraising events, helping to improve the lives of Bermudians and ultimately strengthening our community. The Foundation is also an ideal giving vehicle for clients, family and friends of Clarien who wish to create a legacy by giving to a specific charitable cause of their interest. Through the Clarien Foundation and Clarien Trust Limited we have facilitated a structured charitable giving programme that aligns with our stakeholders unique desires and values.

Known for our generosity, Clarien gives bi-annually to registered charities in our community through corporate donations, as well as quarterly outreach activities for our employees. In 2019, we gave over US$200,000 to various not-for-profit organisations in Bermuda in an effort to aid and invest in areas such as youth development, education, health and human services. This is on top of the countless volunteer hours that our dedicated employees gave throughout the year to a number of worthy causes. Our goal is to create a better Bermuda.

By implementing The Clarien Cares Programme, our staff are able to participate in one of three community outreach projects that we coordinate throughout the year. Additionally, we encourage employee involvement in charitable events, allowing staff who volunteer outside of normal business hours in support of one of our partner charities to get paid vacation time in return.

PROJECT HIGHLIGHT WINDREACH BERMUDA AND TOMORROW'S VOICES

For these two initiatives, Clarien staff had the opportunity to spend part of the day volunteering at both charities. The programmes were well supported and we are proud of the impact made.

WindReach Camp

WindReach is a recreational and development facility located in Bermuda's Warwick Parish and spreads across an area of 3.7 acres which is fully accessible. Opened in October 1999, the facility has been promoting various activities and training programs for disabled and those with special needs. However, over the years, it has become a great place for all kids and families. It has playgrounds, nature trails, multi-purpose activity center, petting zoo, campground and picnic areas. Volunteers assisted with the maintenance of the grounds.

Tomorrow's Voices

Tomorrow's Voices opened its doors to young people between the ages of two and 21 years with autism or on the autism spectrum in October 2007. Offering a unique curriculum, the non-profit's programmes help children strengthen their critical language skills, functional activity and socialisation, among other skills. Volunteers worked on various projects needed by the charity.

Corporate Social Responsibility
CONTINUED

A The Chairman of the NCBFG has committed to mentoring young local entrepreneurs who are passionate about evolving their businesses to build the economy and to venture in world-class investments. The first session was held on Thursday, August 29, 2019 at the Head Office of NCBFG - The Atrium, with a group of 15 young entrepreneurs from varying business sectors. Michael Lee Chin (standing) engages the vibrant young entrepreneurs who participated in his inaugural talk series. B NCBFG and Guardian Group are saddened by the loss of life and injuries suffered by Hurricane Dorian to the people of Bahamas and joined forces to assist with the relief efforts by donating US$100,000 to the Office of Disaster Preparedness and Emergency Management (ODPEM), and an additional TT$50,000 to The Living Water Community. Gordon Swaby, N.C.B. Foundation Director, authenticates the cheque to the Office of Disaster Preparedness Emergency Management (ODPEM) joined by (L-R) Rohan Harrison - VP, Finance & Compliance, Guardian General Insurance Jamaica Limited; Karen Bhoorasingh – President of Guardian General Insurance Jamaica Limited; Richard Thompson, Director General (Acting) of ODPEM; Sheraley Bridgeman – VP, Business Development & Marketing, Guardian General Insurance Jamaica Limited; and Byron Leslie – VP, Underwriting & Technical Services of Guardian General Insurance Jamaica Limited at the official handover event held at the NCBFG's Head Office in Kingston. C Ntukuma, the Storytelling Foundation of Jamaica continues to foster an appreciation for our nation's roots, by hosting its annual Ananse Sound Splash Storytelling Conference and Festival. With the primary aim of engaging youth, this festival focuses on the unique value of Jamaica's rich oral tradition and its potential for enhancing national development. (L-R) Beverley Lashley, CEO, National Library of Jamaica, shares lens with Yahmin Williams Vaz, Olivia Grange, Minister of Culture, Gender, Entertainment and Sport, Eintou Springer, a storyteller from Trinidad, Dr. Amina Blackwood Meeks, Festival Founder and Organiser and Sophia Rhoden, Business Banker NCB Duke Street at the annual Ananse Sound Splash Storytelling Conference and Festival. D Under its Adopt-A-School Programme, N.C.B. Foundation supported 'Read Across Jamaica Day', where individual members of the Group visited several of their adopted schools and interacted with students. Melissa Hendrickson McGrane, Director, N.C.B. Foundation reads to enthusiastic students at Shortwood Practising Infant, Primary and Junior High School in observance of Read Across

Jamaica Day. E Volunteer Jonathan Garth (left) assists Nichole Brackett Walters Manager, Group Marketing and Communications, of NCBJ (right) as she helps young Khiara Barnes to fit a new pair of shoes. The shoes were among the many donations for the Hope Assembly Back to School Fair. The fair received donations from the Jamaican diaspora for some 3,000 school bags among other supplies, including books, and uniforms. N.C.B. Foundation donated J$100,000 to the initiative. F Damian Sibblies (standing right) Business Development Representative of NCB Constant Spring Road Branch shares some words of encouragement with students at the Trenchtown Reading Center as Omar Houslin (standing left) Business Development Representative of NCB Matilda's Corner Branch looks on. The pair were on hand to present the institution's team with a gift of J$200,000 toward educational supplies for their summer programme. The Centre has been working to build literacy in the Trenchtown community since 1993. G A student athlete receives a congratulatory token from Jamilia Crooks-Brown (center) N.C.B. Foundation Programmes Administrator while his teammate looks on. Both boys participated in the 2019 Council of Voluntary Social Services (CVSS) Summer Games held at the UWI Mona Bowl between June 22, 2019 and July 6, 2019. N.C.B. Foundation donated J$500,000 toward the event which unites teen athletes from communities across Kingston, St. Thomas, Clarendon, Manchester, St. Catherine and Westmoreland. H The team at the N.C.B. Foundation were happy to lend a much needed hand to the National Children's home. A cash gift of J$3 million was handed over at the Atrium on Friday August 2, 2019, in aid of restoring fire damage which has left 44 children displaced. Pictured left to right are: Septimus "Bob" Blake - CEO NCB Jamaica, Marcia Forbes - Chairperson, United Way of Jamaica, Thalia Lyn – Chairperson, N.C.B. Foundation, and Nadeen Matthews Blair – CEO, N.C.B. Foundation. I Teamwork! All hands even the little ones were busy painting the pedestrian crossing at the Whitfield Town Primary School on Labor Day. The institution is an adopted school of NCBJ. J Amila Wright from St. Mary was so overwhelmed with emotions after finding out that she would be receiving a scholarship of $300,000 per year towards her university tuition from the N.C.B. Foundation, gave Michael Lee Chin, Chairman of NCBFG a big hug to express her gratitude. Looking on is Christopher Vendryes of NCBIC who served as an adjudicator on the assessment day.

Corporate Social Responsibility
CONTINUED

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A Keston Nancoo - Guardian Group Sponsor, National Day of Caring Initiative (L) and Ayesha Boucaud-Claxton - Senior Manager, Group Corporate Communications, GHL (R) handing over supplies to Mr. Small – Principal, Brazil Roman Catholic Primary School in Trinidad & Tobago. B Sheraley Bridgeman, Director of the Guardian Group Foundation and Vice President, Business Development, Guardian General Jamaica Limited, reads to students at the Young Achievers Early Childhood Development Centre on Read Across Jamaica Day, observed on May 7, to promote literacy in schools. C Dr. Carl Bruce, Medical Chief of Staff & Consultant Neurosurgeon at the University Hospital of the West Indies accepts equipment valued over J$10 million from the Guardian Group Team. Among the items donated were an Extracorporeal Membrane Oxygenator machine, the only one in the English-Speaking Caribbean, and a minimal access neuroendoscopy system. The equipment were purchased with some of the proceeds from the 2018 Keep It Alive 5K Night Runs. D President of Guardian Life Limited, Eric Hosin (left), presents water tanks and fans to representatives of the Fort Augusta Correctional Centre: Superintendent Baldwin Collins (2nd left); Gary Rowe, Commissioner of Corrections (right), and Minister of State, Ministry of National Security Rudyard Spencer (2nd right). Items will be used to ease water shortage and heat exhaustion at the institution. E Staff of Guardian General Insurance (OECS) Ltd showcasing their sunny smiles at the Pump It Up Walk. F Guardian General Insurance (OECS) Ltd. promoted road safety by sponsoring Police Week activities in Grenada. At the cheque handover, which fittingly took place under the 'Don't Text & Drive' billboard, in Springs, present were (l-r) Mr. Ronald Hughes, Managing Director, Guardian General Insurance (OECS) Ltd, Supt. Dunbar, Deputy Chairman, Police Week, Supt. Glen Paul, Chairman Police Week. G Sponsorhip Check presentation at Prize Giving Ceremony. Left- Michael Jhagroo, Chairman of the Prime Minister Charity Golf Classic Committee and Kele Ransome, Group Corporate Communications Officers- CSR and Events . H Young participants excited to be part of the Aruba Global Money Week.

Photo Highlights

of Clarien team Members participating in Windreach and Tomorrows Voices

SEPTEMBER 30, 2019

Financial Statements

NCB FINANCIAL GROUP LIMITED

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NOTES TO THE FINANCIAL STATEMENTS

Directors' Report

The directors submit herewith the Consolidated Income Statement of NCB Financial Group Limited and its subsidiaries for the year ended September 30, 2019, together with the Consolidated Statement of Financial Position as at that date:

Operating Results

	$'000
Gross operating revenue	170,637,181
Profit before taxation	36,972,719
Taxation	(6,280,694)
Net profit	30,692,025

Dividends

The following dividends were paid 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

Another interim dividend of $0.90 per ordinary stock unit was declared for payment in December 2019. The directors recommend that the Company's final dividend be $3.60 representing the aggregate of the interim dividends declared in 2019.

Directors

During the financial year, the Board of Directors comprised:

- Hon. Michael A. Lee-Chin, OJ – Chairman
- Mr Patrick A.A. Hylton, CD – President & Group Chief Executive Officer
- Mr Dennis G. Cohen – Group Chief Financial Officer & Deputy Chief Executive Officer
- Professor Alvin G. Wint, CD – Lead Independent Director
- Mr Robert W. Almeida
- Mrs Sandra A.C. Glasgow
- Mrs Sanya M. Goffe
- Mrs Thalia G. Lyn, OD
- Mr Oliver Mitchell Jr.

Corporate Secretary

The Corporate Secretary is Mr Dave L. Garcia.

Pursuant to Article 94-96 of the Company's Articles of Incorporation, one third of the Directors (or the number nearest to one third) other than the Managing Director (that is, our President and Group Chief Executive Officer) and Deputy Managing Director (that is, our Group Chief Financial Officer and Deputy Chief Executive Officer) will retire at the Annual General Meeting and shall then be eligible for re-election. The Directors retiring are Mrs Thalia Lyn, OD and Mr Oliver Mitchell Jr., and Mrs Lyn offers herself for re-election.

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office and offer themselves for re-appointment.

On behalf of the Board

Dave L. Garcia
Corporate Secretary

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.

PricewaterhouseCoopers, Scotiabank Centre, Duke Street, Box 372, Kingston, Jamaica
T: (876) 922 6230, F: 876) 922 7581, www.pwc.com/jm

L.A. McKnight P.E. Williams B.L. Scott B.J.Denning G.A. Reece P.A. Williams R.S. Nathan C.I. Bell-Wisdom G.K.Moore T.N. Smith DaSilva K.D. Powell

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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.

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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.

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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.

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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.

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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

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 $9,182,882,000.

NCB Financial Group Limited

Statement of Comprehensive Income

Year ended September 30, 2019
(expressed in Jamaican dollars unless otherwise indicated)

	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

Notes to the Financial Statements

September 30, 2019
(expressed in Jamaican dollars unless otherwise indicated)

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

(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

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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.

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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.

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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.

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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.

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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.

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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.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2019
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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.

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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.

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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.

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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.

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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

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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.

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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.

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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.

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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.

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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.

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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.

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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.

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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.

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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.

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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.

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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

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
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

NCB Financial Group Limited

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September 30, 2019
(expressed in Jamaican dollars unless otherwise indicated)

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

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2019
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5. Segment Reporting (Continued)

Year ended September 30, 2018	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
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

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2019
(expressed in Jamaican dollars unless otherwise indicated)

5. Segment Reporting (Continued)

Year ended September 30, 2018	Consumer and SME: Retail & SME	Consumer and 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

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

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2019

(expressed in Jamaican dollars unless otherwise indicated)

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)

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 liabilitie: denominated in foreign currencies as well as those arising from foreign currency dealing activities.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2019
(expressed in Jamaican dollars unless otherwise indicated)

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

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

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2019
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11. Dividend Income

	The Group		The Company	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'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 $'000	**2018 $'000**	**2019 $'000**	**2018 $'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.

Notes to the Financial Statements

September 30, 2019
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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

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2019
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15. Taxation

	The Group		The Company	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'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 $'000	**2018 $'000**	**2019 $'000**	**2018 $'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.

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

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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.

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.

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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

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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 urba re-development project in Fort de France, Martinique. These properties are currently occupied and should becom 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	-	-

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 $'000	2018 $'000	2019 $'000	2018 $'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 $'000	2018 $'000	2019 $'000	2018 $'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 $'000	2018 $'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

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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.

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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

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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.

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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	-

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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 $'000	2018 $'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)

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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

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39. Liabilities under Annuity and Insurance Contracts (Continued)

Liabilities under Short term Contracts

	The Group	
	2019 $'000	**2018 $'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

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

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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

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

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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.

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

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.

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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.

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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.

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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 $'000	2018 $'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 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'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 $'000	**2018 $'000**	**2019 $'000**	**2018 $'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 $'000	**2018 $'000**	**2019 $'000**	**2018 $'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 $'000	2018 $'000	2019 $'000	2018 $'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	-	-

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 $'000	**2018 $'000**	**2019 $'000**	**2018 $'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 $'000	**2018 $'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

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

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

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

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.

(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.

Notes to the Financial Statements

September 30, 2019
(expressed in Jamaican dollars unless otherwise indicated)

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.

	J$	US$	BMD
September 30, 2019	**$'000**	**$'000**	**$'000**
Assets			
Cash in hand and balances at Central Banks	36,099,458	22,375,790	890,563
Due from banks	7,386,296	61,924,009	1,372,533
Reverse repurchase agreements	5,721,494	2,116,404	-
Loans and advances net of provision for credit losses	217,359,977	106,758,671	82,397,439
Investment securities	231,060,253	332,411,712	-
Derivative financial instruments	-	239,279	-
Reinsurance assets	1,098,558	10,346,111	-
Other	11,275,364	12,365,377	1,411,434
Total financial assets	510,001,400	548,537,353	86,071,969
Liabilities			
Due to banks	3,792,672	18,802,627	-
Customer deposits	212,911,020	185,593,848	79,459,345
Repurchase agreements	59,353,455	114,045,903	-
Obligations under securitisation arrangements	-	48,675,580	-
Other borrowed funds	24,009,455	54,626,881	-
Liabilities under annuity , insurance and investment contracts	68,598,971	28,390,141	-
Derivative financial instruments	-	239,279	-
Segregated fund liabilities	16,549,531	-	-
Third party interest in mutual funds	-	7,846,610	-
Other	16,796,398	9,710,883	679,962
Total financial liabilities	402,011,502	467,931,753	80,139,307
Net on-statement of financial position position	107,989,898	80,605,600	5,932,662
Guarantees, acceptances and other financial facilities	3,452,361	5,100,536	198,482
Credit commitments	43,547,343	15,221,763	2,617,429

The Group

	GBP	EURO	TT	CAD	NAF	Other	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
	1,685,701	13,194	691,522	401,063	-	378,098	62,535,389
	9,326,850	5,098,405	19,948,698	2,440,397	29,799,350	9,738,538	147,035,076
	-	-	-	-	-	-	7,837,898
	1,933	1,603,288	6,446,932	-	8,533,682	678	423,102,600
	4,461,779	363,450	134,663,921	2,838,484	42,408,107	11,288,300	759,496,006
	-	-	-	-	-	-	239,279
	2,080,304	2,808,678	1,177,975	-	2,210,924	14,056,898	33,779,448
	44,999	3,701,145	1,240,171	7,496	5,885,510	4,800,509	40,732,005
	17,601,566	13,588,160	164,169,219	5,687,440	88,837,573	40,263,021	1,474,757,701
	94,930	10,428	1,931	50,860	-	22,807	22,776,255
	14,438,893	1,946,036	7,522,506	2,216,628	-	590,260	504,678,536
	-	-	-	-	-	1,220,618	174,619,976
	-	-	-	-	-	-	48,675,580
	-	409,215	43,919,669	-	527,224	1,762,864	125,255,308
	2,324,589	5,853,294	180,447,355	-	114,661,469	24,377,726	424,653,545
	-	-	-	-	-	-	239,279
	-	-	-	-	-	-	16,549,531
	-	-	14,291,880	-	-	-	22,138,490
	683,013	2,631,178	4,118,143	177,579	7,207,395	1,750,788	43,755,339
	17,541,425	10,850,151	252,126,783	2,445,067	122,396,088	29,725,063	1,383,341,839
	60,141	2,738,009	(87,957,564)	3,242,373	(33,558,515)	10,537,958	91,415,862
	989	117,462	-	-	-	-	8,869,830
	-	-	-	-	-	-	61,386,535

Notes to the Financial Statements

September 30, 2019
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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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September 30, 2019
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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	-

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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.

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

September 30, 2019	Within 1 Month $'000	2 to 3 Months $'000	4 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Non-Interest Bearing $'000	Total $'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)	

September 30, 2018	Within 1 Month $'000	2 to 3 Months $'000	4 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Non-Interest Bearing $'000	Total $'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.

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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.

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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**	**-**

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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.

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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
2019					
	$’000	**$’000**	**$’000**	**$’000**	**$’000**
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)

	2012	2013	2014	2015	2016	2017	2018	2019	Total
Insurance claims – gross	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'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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September 30, 2019
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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 – net	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'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)

	2012	2013	2014	2015	2016	2017	2018	2019	Total
Insurance claims – net	**$'000**	**$'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	801,355
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.

NCB Financial Group Limited

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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.

NCB Financial Group Limited

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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.

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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.

NCB Financial Group Limited

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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.

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

NCB Financial Group Limited

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September 30, 2019
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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.

NCB Financial Group Limited

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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.

NCB Financial Group Limited

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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

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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.

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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.

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

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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

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		
Liabilities	**Other borrowed funds $'000**	**Obligation under securitisation arrangements $'000**	**Total $'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

NCB Financial Group Limited

Notes to the Financial Statements

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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

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September 30, 2019
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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.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2019
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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

Notes to the Financial Statements

September 30, 2019
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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**

NCB Financial Group Limited

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

NCB Financial Group Limited

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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

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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**

Shareholdings

10 Largest Shareholders of NCB Financial Group Limited as at September 30, 2019

Name of Shareholder	Units	Percentage Ownership
AIC (Barbados) Limited	**1,309,371,033**	53.08%
Sagicor PIF Equity Fund	**77,833,444**	3.16%
Patrick Hylton	**63,102,211**	2.56%
NCB Insurance Co. Ltd WT 109	**62,989,156**	2.55%
Harprop Limited	**49,806,031**	2.02%
AIC Global Holdings Inc.	**45,449,690**	1.84%
SJIML A/C 3119	**35,114,981**	1.42%
Ideal Portfolio Services Company Limited	**34,250,667**	1.39%
Dennis Cohen	**34,061,577**	1.38%
Guardian Life of the Caribbean	**30,206,368**	1.22%

Interest/Ownership of Stock Units by Executives/Senior Managers of NCB Financial Group Limited as at September 30, 2019

Executives/Senior Managers	Total	Direct	Connected Parties
Dennis Cohen [1, 2]	**166,983,393**	34,061,577	132,921,816
Dave Garcia	**175,027**	175,027	0
Patrick Hylton, CD [1]	**123,071,050**	63,102,211	59,968,839
Misheca Seymour-Senior	**4,195**	4,195	0
Mukisa Wilson Ricketts	**87,552**	87,552	0
Allison Wynter [2]	**73,141,214**	191,237	72,949,977

Shareholder Profile of NCB Financial Group Limited as at September 30, 2019

Number of Shareholders	Ownership of Each Shareholder	Percentage Ownership	Number of Units
(1) shareholder with 6 accounts	**53.08%**	53.08%	1,309,371,033
10	**1 - 5%**	18.60%	458,759,092
41,550	**Less than 1%**	28.32%	698,632,703
41,561		**100.00%**	**2,466,762,828**

1. Connected parties for all directors include shares of 59,968,839 held by subsidiaries of Guardian Holdings Limited (GHL).

2. Connected parties for Dennis Cohen, Sandra Glasgow, Thalia Lyn and Allison Wynter include shares of 72,949,977 held as trustees of the N.C.B. Staff Pension Fund.

Interest/Ownership of Stock Units by Directors of NCB Financial Group Limited as at September 30, 2019

Directors [1]	Total	Direct	Connected Parties
Robert Almeida	**60,140,589**	171,750	59,968,839
Dennis Cohen [2]	**166,983,393**	34,061,577	132,921,816
Sandra Glasgow [2]	**133,281,486**	319,470	132,962,016
Sanya Goffe	**59,982,839**	14,000	59,968,839
Patrick Hylton, CD	**123,071,050**	63,102,211	59,968,839
Hon. Michael Lee-Chin, OJ	**1,512,371,815**	0	1,512,371,815
Thalia Lyn, OD [2]	**133,375,550**	440,614	132,934,936
Oliver Mitchell, Jr.	**59,978,039**	9,200	59,968,839
Prof. Alvin Wint, CD	**60,056,983**	88,144	59,968,839
Dave Garcia (Corporate Secretary)	**175,027**	175,027	0

Interest/Ownership of Stock Units by Other Executives/Senior Managers of subsidiaries of NCB Financial Group Limited as at September 30, 2019

Executives/Senior Managers	Total	Direct	Connected Parties
Rickert Allen	**226,844**	226,844	0
Gabrielle Banbury-Kelly	**95,508**	95,508	0
Septimus Blake	**211,144**	211,144	0
Brian Boothe	**102,000**	102,000	0
Danielle Cameron Duncan	**91,159**	91,159	0
Steven Gooden	**124,420**	124,420	0
Howard Gordon	**105,051**	105,051	0
Phillip Harrison	**25,598**	10,000	15,598
Vernon James	**0**	0	0
Nadeen Matthews Blair	**92,305**	92,305	0
Claudette Rodriquez	**99,355**	99,355	0
Malcolm Sadler	**58,827**	28,774	30,053
Ravi Tewari	**0**	0	0
Ian Truran	**0**	0	0
Simona Watkis	**4,900**	4,900	0
Tanya Watson Francis	**156,323**	156,323	0
Angus Young	**93,000**	93,000	0

Members of Group Finance (L-R) **Roberta** Lynch, Financial Officer; **Jacqueline** De Lisser, Assistant General Manager; **Malcolm** Sadler, Chief Financial Officer, NCBJ; **Janice** Beckford-Smith, BOJ Returns Supervisor; and **Dwayne** Millwood, Finance Manager.

Corporate Directory

NCB FINANCIAL GROUP LIMITED

32 Trafalgar Road Kingston 10 Jamaica W.I.	www.myncb.com	876-929-9050

Key Persons:

Patrick Hylton	President and Group Chief Executive Officer
Dennis Cohen	Group Chief Financial Officer and Deputy Chief Executive Officer
Allison Wynter	Group Chief Risk Officer
Dave Garcia	Group General Counsel and Corporate Secretary
Mukisa Ricketts	Group Chief Audit Executive
Misheca Seymour-Senior	Group Chief Compliance Officer

NATIONAL COMMERCIAL BANK JAMAICA LIMITED

32 Trafalgar Road Kingston 10 Jamaica W.I.	www.jncb.com	876-929-9050 888-NCB-FIRST (622-3477)

Key Persons:

Septimus 'Bob' Blake	Chief Executive Officer (CEO)
Malcolm Sadler	Chief Finanicial Officer
Allison Wynter	Head - Group Risk Management Division
Brian Boothe	Head - Corporate, Commercial and Consumer Banking Division
Claudette Rodriquez	Head - Payment Services
Danielle Cameron-Duncan	Head - Non-branch Channels
Dave Garcia	Head - Group Legal & Compliance Division
Gabrielle Banbury-Kelly	Head - Transformation Office
Howard Gordon	Head - Group Operations & Technology Division
Jacqueline De Lisser	Head - Group Investor Relations, Performance Monitoring & Planning
Mukisa Ricketts	Head - Group Internal Audit Division
Nadeen Matthews Blair	Head - Group Marketing, Communications, Analysis & Digitisation Division /CEO, N.C.B. Foundation
Rickert Allen	Head - Group HR and Facilities Division
Tanya Watson-Francis	Head - Treasury and Correspondent Banking Division

NCB CAPITAL MARKETS LIMITED

32 Trafalgar Road
Kingston 10
876-960-7108/8592
888-4WEALTH (932584)
876-920-4313
www.ncbcapitalmarkets.com

Key Persons:

Steven Gooden	Chief Executive Officer, NCB Capital Markets Limited
Annya Walker	Vice President - Strategy, Projects, Research & Structured Products
Herbert Hall	Vice President - Investments
Lamar Harris	Vice President - Wealth Management
Tracy-Ann Spence	Vice President - Investments

NCB INSURANCE COMPANY LIMITED

32 Trafalgar Road
Kingston 10
888-MY-NEEDS (696-3337)
www.ncbinsurance.com

Key Persons:

Vernon James	Managing Director & CEO, NCB Insurance Limited
Antonio Spence	Senior Assistant General Manager
Georgia Wright	Assistant General Manager

CLARIEN GROUP LIMITED

19 Reid Street
Hamilton
HM 11, Bermuda

www.clarienbank.com

+1 441-296-6969

Key Persons:

Ian Truran	Chief Executive Officer
Bruce Jackson	Chief Wealth Management Officer
Minish Parikh	Chief Operations Officer
Rebecca Pitman	Chief of Staff
Simon van de Weg	Chief Banking Officer
Stephen Kelly	Chief Risk Officer
Vishram Sawant	Chief Accounting Officer

GUARDIAN HOLDINGS LIMITED

1 Guardian Drive
Westmoorings
Trinidad

www.myguardiangroup.com

1-868-226-MYGG (6944)

Key Persons:

Ravi Tewari	Group Chief Executive Officer
David Maraj	Group Chief Financial Officer
Alan Sadler	Group Vice President, Insurance Operations
Benedict Bito	Head, Internal Audit
Brent Ford	Group Chief Investment Officer/Group President, Asset Management
Karen Kelshall Lee	Group Head, Compliance
Paul Traboulay	Group Chief Risk Officer
Richard Avey	Group General Counsel and Corporate Secretary
Anand Pascal	President, Guardian Life of the Caribbean Limited, Trinidad
Dean Romany	President, Guardian General Insurance Limited, Trinidad
Diego Frankel	President, Fatum
Eric Hosin	President, Guardian Life Limited, Jamaica
Karen Bhoorasingh	President, Guardian General Insurance Jamaica Limited

Glossary - Abbreviation

* The Compounded Annual Growth Rate (CAGR) is a measure of growth over multiple time periods.

CURRENCIES AND UNITS:

B – Billion
BMD - Bermudan Dollar
BBD - Barbados Dollar
Bn – Billion
J$ – Jamaican Dollar
JMD – Jamaican Dollar
K – Thousand
M – Million
Mn – Million
NAF - Netherlands Antilles Guilder
Tn - Trillion
TT$ – Trinidad and Tobago Dollars
TTD – Trinidad and Tobago Dollars
US$ – United States Dollars
USD – United States dollar

ENTITIES:

A

AGIC – Advantage General Insurance Company Limited
Alpart/JISCO - Alpart Alumina Partners/ Jiuquan Iron and Steel Company

B

BOJ – Bank of Jamaica

C

CariCRIS - Caribbean Information and Credit Ratings Services Limited
CBL - Clarien Bank Limited
CBTT - Central Bank of Trinidad and Tobago
CLICO - Colonial Life Insurance Company
CSO - Central Statistical Office

F

FSC – Financial Services Commission

G

GAM - Guardian Asset Management
GAMIS - Guardian Asset Management and Investment Services Ltd
GGIL - Guardian General Insurance Ltd
GHL – Guardian Holdings Limited
GLL - Guardian Life Limited
GLOC - Guardian Life of the Caribbean

I

IASB – International Accounting Standards Board
ICAJ – Institute of Chartered Accountants of Jamaica
IMF – International Monetary Fund

J

JCAA - Jamaica Civil Aviation Authority
JSE - Jamaica Stock Exchange

N

NACD - National Association of Corporate Directors
NCB or NCB Group – NCBFG and its subsidiaries
NCBCM – NCB Capital Markets Limited
NCBCMBL – NCB Capital Markets (Barbados) Limited
NCBFG – NCB Financial Group Limited
NCBGF – NCB Global Finance Limited
NCBGH – NCB Global Holdings Limited
NCBIC – NCB Insurance Company Limited
NCBJ – National Commercial Bank Jamaica Limited

O

ODPEM - Office of Disaster Preparedness and Emergency Management

P

Petrotrin - Petroleum Company of Trinidad and Tobago
PWC – PricewaterhouseCoopers

S

STATIN - The Statistical Institute of Jamaica

T

TTSE – Trinidad and Tobago Stock Exchange
TTSEC - Trinidad and Tobago Securities and Exchange Commission

U

USAID - United States Agency for International Development

TITLES:

AGM – Assistant General Manager
CAE - Chief Audit Executive
CEO – Chief Executive Officer
CFO – Chief Financial Officer
SAGM – Senior Assistant General Manager

OTHER ACRONYMS:

A

ABM – Automated Banking Machine
AGM – Annual General Meeting
AI – Artificial Intelligence
ATM – Automated Teller Machine
ALCO - Asset and Liability Committee

B

BERT - Barbados Economic Recovery and Transformation
BPS – Basis Points

C

CAGR* – Compounded Annual Growth Rate
CBD – Corporate Banking Division
CCTV – Closed Circuit Television
CEC - Client Engagement Centre
CEMBI - Emerging Market Corporate Bond Index
CHASE - Culture, Health, Arts, Sports and Education
CLC - Corporate Learning Campus
CPI – Consumer Price Index
CSR – Corporate Social Responsibility

D

DPR – Diversified Payments Rights

E

ECLAC - Economic Commission for Latin America and the Caribbean
EGC – Economic Growth Council
EMBI - Emerging Market Bond Index
EMV – Europay, MasterCard, and Visa
EPS – Earnings per stock unit

F

FX – Foreign Exchange
FY - Financial Year

G

GDP – Gross Domestic Product
GOJ – Government of Jamaica
GOB - Government of Barbados
GRC – Group Risk Committee
GRMD – Group Risk Management Division
GPA - Grade Point Average

H

HR – Human Resources

I

iABM – Intelligent Automated Banking Machine
IFRS – International Financial Reporting Standards
IPO – Initial Public Offering
ISA - International Standards on Auditing
IT – Information Technology

J

JAMAN - Jamaican global bonds
JEI – Jamaica Education Initiative

K

KPI - Key Performance Indicator
KYC - Know Your Customer

L

LED – light-emitting diode

M

MD&A – Management Discussion & Analysis
mPOS – Mobile Point of Sale
MSME - Micro Small and Medium Enterprises

P

PCC - Pre-Authorised Credit Card Payment
PCDF - PetroCaribe Development Fund
PCI – Payment Card Industry
POCI – Purchased or originated credit-impaired
POS – Point of Sale
PSOJ – Private Sector Organisation of Jamaica
PY – Prior year

S

SME – Small and Medium Sized Enterprise
SOE - State Owned Enterprise
S&P – Standard & Poor's
STEM - Science, Technology, Energy and Mathematics
STP - Straight Through Processing

T

T – Bill – Treasury Bill
TCBD – Treasury & Correspondent Banking Division
TEF - Tourism Enhancement Fund
TT – Trinidad & Tobago

U

UK – United Kingdom
US – United States
UI/UX Design - User Interface/User Experience
UWI – University of the West Indies

V

VAT - Value Added Tax

Notes

FINANCIAL GROUP
LIMITED

Postage
Stamp

Annual General Meeting Form of Proxy

I/We ....

of ....

being a Member/Members of the abovenamed Company, hereby appoint

....

of .... or failing him/her

....

of ....

as my/our Proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at the **Spanish Court Hotel, Room Valencia T/L, 16 Worthington Avenue, Kingston 10**, in the parish of **Saint Andrew**, on **January 31, 2020** at **10:00 a.m**. and at any adjournment thereof.

Please indicate by inserting a cross in the appropriate square how you wish your votes to be cast. Unless otherwise instructed, the Proxy will vote or abstain from voting, at his/her discretion.

RESOLUTION	FOR	AGAINST
1	☐	☐
2	☐	☐
3	☐	☐

RESOLUTION	FOR	AGAINST
4 (a)	☐	☐
4 (b)	☐	☐
5	☐	☐

As witnessed my hand this .... day of 2020

Signed: ....

NOTES:

1. This Form of Proxy must be received by the Secretary of the Company not less than 48 hours before the time appointed for the Meeting.
2. This Form of Proxy should bear stamp duty of $100. Adhesive stamps are to be cancelled by the person signing the proxy.
3. If the appointer is a Corporation, this Form of Proxy must be executed under its Common Seal or under the hand of an officer or attorney duly authorized in writing.

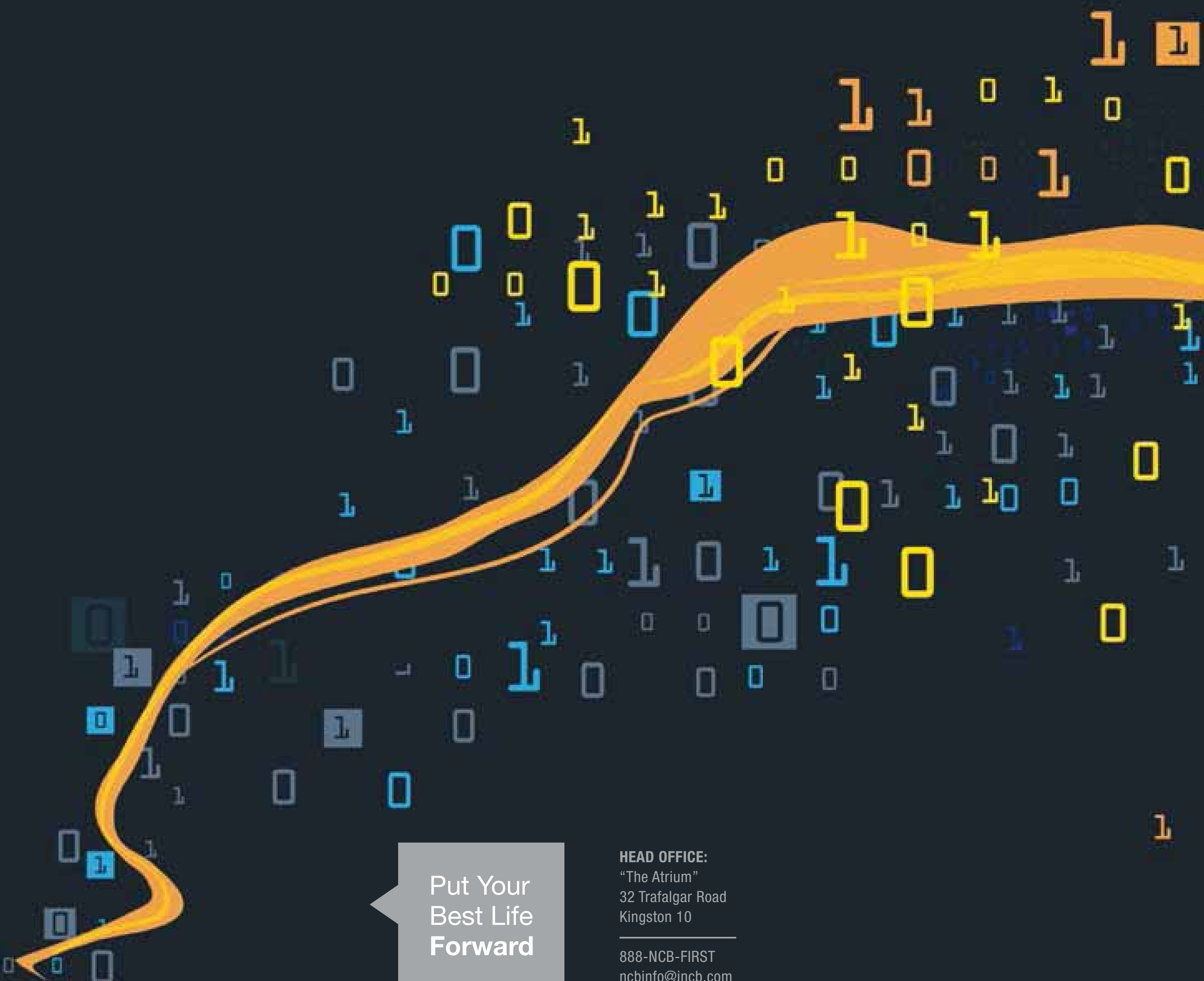
ART DIRECTION / DESIGN:
Graphics & Production Unit
NCB Group Marketing, Communications,
Analysis & Digitisation Division

VECTOR PORTRAIT +
INSIDE COVER ILLUSTRATIONS:
Cristiano Siqueira

AUDITORS:
PricewaterhouseCoopers

PRINTED IN JAMAICA:
Lithographic Printers Ltd.

faster >> simpler >> stronger



Put Your
Best Life
Forward

HEAD OFFICE:
"The Atrium"
32 Trafalgar Road
Kingston 10

888-NCB-FIRST
ncbinfo@jncb.com
www.myncb.com

National Commercial Bank Jamaica Limited | Clarien Group Limited | Guardian Holdings Limited

NCB FINANCIAL GROUP LIMITED