



NCB Financial Group Limited

**Financial Statements
September 30, 2022**

NCB Financial Group Limited

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Independent auditor's report

To the Members of NCB Financial Group Limited

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

Our opinion

In our opinion, the consolidated financial statements and the stand-alone financial statements give a true and fair view of the consolidated financial position of NCB Financial Group Limited (the Company) and its subsidiaries (together 'the Group') and the stand-alone financial position of the Company as at September 30, 2022, 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

The Group's consolidated and stand-alone financial statements comprise:

- the consolidated statement of financial position as at September 30, 2022;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the company statement of financial position as at September 30, 2022;
- the company statement of comprehensive income for the year then ended;
- the company statement of changes in equity for the year then ended;
- the company statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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.



Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for 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.

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 consolidated financial statements. The Group comprised 53 reporting components of which we selected 23, 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 12 components, while audits of one or more financial statement line items were performed for 11 components. The audit work performed covered 94% of the Group's total assets and 97% of total revenue. For in-scope business units located in the Dutch Antilles, we used component auditors from a non-PwC firm who are 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. We have determined that there are no key audit matters, as it pertains to the stand-alone financial statements, in our report.



Key audit matter

How our audit addressed the key audit matter

IFRS 9 'Financial Instruments' – Probabilities of Default, Forward Looking Information and Significant Increase in Credit Risk (Group)

See notes 2(i), 21 and 22 to the financial statements for disclosures of related accounting policies, judgements, estimates and balances.

As at September 30, 2022, the Group's loans and advances totalled \$595 billion. The Group's investment securities measured at amortised cost and fair value through other comprehensive income (FVOCI) totalled \$752 billion. The resultant impairment recorded under the expected credit loss (ECL) impairment model amounted to \$14 billion for loans and advances and \$1 billion for debt securities. In aggregate, the above exposures represent 64% of total assets at the reporting date.

In assessing impairment, IFRS 9 prescribes a forward looking ECL impairment model which takes into account reasonable and supportable forward looking information as well as probabilities of default (PD).

PDs represent the likelihood of a borrower defaulting on its obligation over the next twelve months or over the remaining lifetime of the obligation. The twelve month and lifetime PDs are determined differently for loans and investments.

For investment securities, which include debt securities comprising sovereign and corporate securities, PDs are developed by reference to external data collated by Standard & Poor's (S&P) with adjustments for industry and country specific risks, where appropriate.

For loans and advances, management developed PDs based on the Group's specific historical default rates for each industry classification. In performing historical analyses, management identified economic variables impacting credit risk and ECLs for each portfolio.

Our approach to addressing the matter, with the assistance of our valuation specialist, involved the following procedures, amongst others:

- Updated our understanding of management's ECL model including any changes to source data and assumptions.
- Tested the completeness of all loans and advances and debt securities to determine whether all items were included in the ECL models by agreeing the models to detailed loans and securities listings.
- Evaluated the reasonableness of management's judgements pertaining to PD, SICR and forward looking information, including macro-economic factors, impacting the weighting of the scenarios as follows:

Debt securities

PD:

- 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 relevant source documents.
- Agreed the credit ratings and historic default rates used to calculate the PDs, on a sample basis, to external sources such as external rating agencies.



Key audit matter	How our audit addressed the key audit matter
<p>The estimation and application of forward looking information requires significant judgement. Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) which most closely correlate with credit losses in the relevant portfolio. Each macroeconomic scenario used in the ECL calculation incorporates forecasts of the relevant macroeconomic variables.</p> <p>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). The consideration of days past due as well as adverse changes in a borrower's credit rating, industry or the economic environment are factors considered in determining whether there has been a SICR.</p> <p>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 derived from macroeconomic forecasts which are publicly available. Upside and downside scenarios are set relative to the base case scenario adjusted for reasonably possible alternative macroeconomic conditions.</p> <p>We focused on this area due to the complexity of the techniques used to determine PDs and the number of significant judgements made by management regarding SICR and possible future economic scenarios as it pertains to debt securities and loans and advances.</p>	<p>SICR:</p> <ul style="list-style-type: none"> • Tested, on a sample basis, the accuracy of the initial credit risk and the credit risk at the reporting date using rating agency definitions of 'investment grade' and evaluated the appropriateness of the group classification of debt securities as Stage 2. • Performed an independent qualitative assessment for a sample of borrowers to determine if there was any adverse public information affecting the criteria used to perform the staging. <p>Loans and advances</p> <p>PD:</p> <ul style="list-style-type: none"> • Tested the critical data fields used in the ECL model for the PD determination, such as default date, effective interest rate, write-off data, and loan type by tracing data back to source documents. • Reperformed the calculation of days past due, a key data input into the PD parameter, in the Group's banking system on a sample basis. <p>SICR:</p> <ul style="list-style-type: none"> • Evaluated staging of loans and advances and compared our results to those identified and classified by management. <p>Forward Looking Information (Debt Securities & Loans and advances):</p> <ul style="list-style-type: none"> • Assessed the reasonableness of the Group's methodology for determining economic scenarios considering industry and component specific facts and circumstances within each of the jurisdictions that the Group operates.



Key audit matter	How our audit addressed the key audit matter
	<ul style="list-style-type: none"><li data-bbox="954 401 1511 579">• Evaluated the reasonableness of the increase in the weighting used for the worst case scenario by agreeing the forward looking economic information to external sources published or pronounced by reputable third parties.<li data-bbox="954 617 1511 674">• Sensitized the probability weightings used in the ECL calculation. <p data-bbox="906 711 1511 873">The results of our procedures indicated that the assumptions used by management for determining the probability of default, significant increase in credit risk and forward looking information were not unreasonable.</p>



Key audit matter	How our audit addressed the key audit matter
<p data-bbox="293 407 821 537"><i>Methodologies and assumptions used for determining insurance contract liabilities for life and health insurance and annuity contracts (Group)</i></p> <p data-bbox="293 550 821 638"><i>See notes 2(w) and 39 to the financial statements for disclosures of related accounting policies, judgements, estimates and balances.</i></p> <p data-bbox="293 688 802 819">As at September 30, 2022, reserves for life and health insurance and annuity contracts account for \$385 billion or 20% of the total liabilities of the Group.</p> <p data-bbox="293 869 802 1066">Economic assumptions such as investment return, associated discount rates and borrowing rates, policy expenses and assumptions such as mortality and persistency are key inputs used to estimate these long-term liabilities.</p> <p data-bbox="293 1117 769 1247">Management used internal and external actuarial experts to assist in determining these assumptions and in valuing these actuarial liabilities.</p> <p data-bbox="293 1297 821 1566">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 significantly impact the valuation of these liabilities.</p>	<p data-bbox="906 688 1507 777">Our approach to addressing the matter, with the assistance of our actuarial specialists, involved the following procedures, amongst others:</p> <ul data-bbox="932 814 1533 1360" style="list-style-type: none"><li data-bbox="932 814 1533 1033">• Tested the completeness, accuracy and reliability of the underlying data utilised by management to support the actuarial valuation. Tested a sample of contracts to assess whether contract features and demographic data corresponded to the data file used by management’s actuarial experts.<li data-bbox="932 1075 1533 1360">• Evaluated the methodologies and assumptions utilised by management’s actuarial experts considering industry and component specific facts and circumstances. Tested the key inputs and assumptions including investment return, associated discount rates and borrowing rates, policy expenses and mortality and persistency by reference to entity experience and relevant public information. <p data-bbox="906 1390 1533 1608">The results of our procedures indicated that the assumptions used by management for determining insurance contract liabilities for life and health insurance and annuity contracts were not unreasonable and that the methodologies used were actuarially established, accepted and appropriate in the circumstances.</p>



Key audit matter

Goodwill impairment (Group)

See notes 2(o)(i) and 28 to the financial statements for disclosures of related accounting policies, judgements, estimates and balances.

The total carrying value of goodwill is \$20 billion or 1% of total assets as at September 30, 2022.

In accordance with IAS 36, 'Impairment of Assets', management performed an annual goodwill impairment assessment to determine whether the carrying value exceeded the recoverable amount of the cash generating unit (CGU) to which the goodwill is allocated and is therefore impaired at the reporting date. Goodwill relating to the recoverable amount of a CGU is calculated as the higher of the value-in-use and fair value less costs of disposal.

Management determined the recoverable amount by reference to value-in-use which is based on discounted cash flow projections over which management makes significant judgements on key inputs. As a result of the assessment, management determined there was no impairment as at September 30, 2022.

We focused on this area as the goodwill impairment assessment requires significant management judgement and estimation, is sensitive to changes in key assumptions and due to the potential impact of the increased volatility of prices in various markets on those key assumptions.

The key assumptions were assessed by management as being:

- revenue growth rate;
- projected reinsurance;
- projected claims ratio;
- projected expense ratio;
- terminal growth rate projections; and
- discount rate.

How our audit addressed the key audit matter

Our approach to addressing the matter, with the assistance of our specialist, involved the following procedures, amongst others:

- Updated our understanding of management's approach to performing their annual impairment assessment. This included updating our understanding of the process by which management's key assumptions and methodologies were developed and assessing their appropriateness.
- Compared previous forecasts to actual results in order to assess the performance of the business and the extent to which reliance could be placed on management's ability to forecast.
- Assessed whether the three-year forecast used in the valuation model was consistent with the Board approved business plan, and that the key assumptions were subject to oversight from the Board of Directors.
- Evaluated the revenue growth rate and the discount rate against valuations of similar companies with the assistance of our valuation specialist.
- Compared the key assumptions to externally derived data where available, including market expectations of investment return, projected economic growth, terminal growth rate and interest rates.
- Agreed the projected claims and expense ratios and reinsurance to audited financial information and assessed for reasonableness in light of the current economic climate and market outlook.
- Tested the calculations for mathematical accuracy and assessed the sensitivity of the calculations by varying the key assumptions and adjustments within management's cash flow forecast.

The results of our procedures indicated management's determination that goodwill was not impaired at the reporting date was not unreasonable.



Key audit matter	How our audit addressed the key audit matter
<p data-bbox="293 415 828 577"><i>Valuation of unquoted corporate debt and government securities classified as fair value through profit or loss, fair value through other comprehensive income and pledged assets (Group).</i></p> <p data-bbox="293 598 803 724"><i>See notes 3(a), 23 and 50 to the financial statements for disclosures of related accounting policies, judgements, estimates and balances.</i></p> <p data-bbox="293 756 828 966">As at September 30, 2022, unquoted corporate debt and government securities classified as investment securities at fair value through profit or loss, fair value through other comprehensive income, and pledged assets together account for \$45 billion or 2% of total assets of the Group.</p> <p data-bbox="293 997 828 1123">These securities are classified and disclosed as Level 3 within the fair value hierarchy as one or more of the significant inputs is not based on observable market data.</p> <p data-bbox="293 1134 828 1312">For unquoted corporate debt and government securities, management uses valuation techniques which utilise the application of a market yield curve adjusted by a risk premium to discount the contractual cash flows of the instruments.</p> <p data-bbox="293 1344 828 1512">We focused on this area as the yield curve is an unobservable input requiring management’s judgement and estimation, which is subject to high estimation uncertainty.</p>	<p data-bbox="909 415 1461 441">Our approach to addressing the matter, with the assistance of our valuation expert, involved the following procedures, amongst others:</p> <ul data-bbox="941 871 1526 1575" style="list-style-type: none"><li data-bbox="941 871 1526 1081">• Updated our understanding of management’s approach to performing the fair value assessment. This included updating our understanding of the process by which management’s key assumptions and methodologies were developed and assessing their appropriateness.<li data-bbox="941 1123 1526 1291">• Tested the source data inputs used in the valuation model by performing confirmation procedures on a sample basis, and agreed the issuance date, maturity date, coupon rate and risk premium at issuance to source documentation.<li data-bbox="941 1333 1526 1417">• Developed independent territory specific yield curves using industry data and experience and compared to management’s yield curves.<li data-bbox="941 1459 1526 1575">• Tested, on a sample basis, the contractual cash flows of the underlying securities by comparing to source documentation and evaluated the impact of any variations. <p data-bbox="909 1606 1510 1732">The results of our procedures indicated that the assumptions used by management for determining the fair value of unquoted corporate debt and government securities were not unreasonable.</p>



Other information

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

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

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

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

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

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

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

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



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

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

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

- Identify and assess the risks of material misstatement of the consolidated and stand-alone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group or Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and stand-alone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and stand-alone financial statements, including the disclosures, and whether the consolidated and stand-alone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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

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

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 Paul Williams.

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers' in a cursive script.

Chartered Accountants

November 30, 2022

Kingston, Jamaica

NCB Financial Group Limited

Consolidated Income Statement

Year ended September 30, 2022

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2022 \$'000	2021 \$'000
Operating Income			
<i>Banking and investment activities</i>			
Interest income		84,923,549	74,574,816
Interest expense		(25,724,687)	(25,947,849)
Net interest income	6	<u>59,198,862</u>	<u>48,626,967</u>
Fee and commission income		35,302,748	28,280,912
Fee and commission expense		(9,169,997)	(5,791,918)
Net fee and commission income	7	<u>26,132,751</u>	<u>22,488,994</u>
Gain on foreign currency and investment activities	8	16,576,264	22,830,152
Credit impairment losses	13	(2,723,555)	(3,385,126)
Dividend income	11	2,498,263	2,315,752
Other operating income		5,610,038	5,276,924
		<u>21,961,010</u>	<u>27,037,702</u>
Net revenues from banking and investment activities		<u>107,292,623</u>	<u>98,153,663</u>
<i>Insurance activities</i>			
Premium income	9	164,690,753	150,037,225
Insurance premium ceded to reinsurers	9	(50,583,005)	(48,582,448)
Reinsurance commission income		9,801,164	8,778,843
Net underwriting income		<u>123,908,912</u>	<u>110,233,620</u>
Gross policyholders' and annuitants' benefits and reserves	10	(113,569,020)	(77,276,066)
Reinsurance on policyholders' and annuitants' benefits and reserves	10	48,670,360	6,707,259
Commission and other selling expenses		(16,706,258)	(16,713,121)
Net result from insurance activities		<u>42,303,994</u>	<u>22,951,692</u>
Net operating income		<u>149,596,617</u>	<u>121,105,355</u>
Operating Expenses			
Staff costs	12	49,105,761	44,500,542
Depreciation and amortisation		8,892,804	9,309,964
Finance cost		2,048,822	1,836,346
Other operating expenses	14	44,412,709	39,203,259
		<u>104,460,096</u>	<u>94,850,111</u>
Operating Profit		<u>45,136,521</u>	<u>26,255,244</u>
Share of profit of associates	24	732,513	340,289
Profit before Taxation		<u>45,869,034</u>	<u>26,595,533</u>
Taxation	15	(5,946,189)	(6,519,927)
NET PROFIT		<u>39,922,845</u>	<u>20,075,606</u>
Attributable to:			
Stockholders of the parent		27,318,907	14,226,671
Non-controlling interest	53	12,603,938	5,848,935
		<u>39,922,845</u>	<u>20,075,606</u>
Earnings per stock unit			
Basic and diluted (expressed in \$)	16	<u>11.89</u>	<u>6.25</u>

NCB Financial Group Limited

Consolidated Statement of Comprehensive Income

Year ended September 30, 2022

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2022 \$'000	2021 \$'000
Net Profit		39,922,845	20,075,606
Other Comprehensive Income, net of tax -			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations		4,596,111	975,959
		4,596,111	975,959
Items that may be reclassified subsequently to profit or loss			
Currency translation (losses)/gains		(3,191,404)	1,406,148
Expected credit (losses)/reversals on debt instruments at fair value through other comprehensive income (FVOCI)		(366,683)	79,417
Unrealised (losses)/gains on securities designated as FVOCI		(52,250,530)	4,524,416
Realised fair value losses/(gains) on sale and maturity of securities designated as FVOCI		3,649,163	(6,714,168)
		(52,159,454)	(704,187)
Total other comprehensive (loss)/income		(47,563,343)	271,772
TOTAL COMPREHENSIVE (LOSS)/INCOME		(7,640,498)	20,347,378
Total comprehensive (loss)/income attributable to:			
Stockholders of parent		(12,391,467)	18,866,223
Non-controlling interest	53	4,750,969	1,481,155
		(7,640,498)	20,347,378

NCB Financial Group Limited

Consolidated Statement of Financial Position

September 30, 2022

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2022 \$'000	2021 \$'000
ASSETS			
Cash in hand and balances at Central Banks	17	70,856,440	69,134,649
Due from banks	18	185,806,679	175,494,037
Derivative financial instruments	19	874,471	767,441
Reverse repurchase agreements	20	8,300,133	9,667,060
Loans and advances, net of provision for credit losses	21	580,987,814	523,488,890
Investment securities	22	711,734,420	683,855,078
Pledged assets	23	256,614,981	223,301,253
Investment in associates	24	7,051,463	5,950,188
Investment properties	25	38,713,587	38,218,322
Intangible assets	28	54,690,029	52,546,872
Property, plant and equipment	29	29,077,875	28,221,326
Right-of-use assets	55	5,111,594	5,234,938
Properties for development and sale	26	2,008,010	2,794,053
Reinsurance assets	27	30,312,857	26,635,997
Deferred income tax assets	30	25,469,940	14,421,483
Income tax recoverable		2,558,641	3,767,401
Letters of credit and undertaking		6,451,165	4,801,671
Other assets	31	62,068,502	48,827,313
Total Assets		<u>2,078,688,601</u>	<u>1,917,127,972</u>

NCB Financial Group Limited

Consolidated Statement of Financial Position (Continued)

September 30, 2022

(expressed in Jamaican dollars unless otherwise indicated)

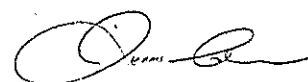
		2022 \$'000	2021 \$'000
LIABILITIES			
Due to banks	32	37,501,992	24,104,359
Customer deposits		715,276,682	647,085,400
Repurchase agreements		247,676,853	224,805,387
Obligations under securitisation arrangements	33	99,085,658	63,087,217
Derivative financial instruments	19	-	45,228
Other borrowed funds	34	153,272,229	136,972,443
Deferred income tax liabilities	30	9,126,008	9,254,122
Third party interest in mutual funds	36	33,587,741	33,699,975
Segregated fund liabilities	38	14,436,764	15,419,433
Investment contract liabilities	37	46,176,282	43,772,829
Liabilities under annuity and insurance contracts	39	437,175,410	433,056,798
Post-employment benefit obligations	40	4,091,822	9,484,565
Letters of credit and undertaking		6,451,165	4,801,671
Lease Liabilities	55	5,173,159	5,377,512
Other liabilities	41	71,657,387	59,496,007
Total Liabilities		<u>1,880,689,152</u>	<u>1,710,462,946</u>
STOCKHOLDERS' EQUITY			
Share capital	42	153,827,330	153,827,330
Treasury shares	42	(26,652,675)	(27,198,690)
Reserves from scheme of arrangement	43	(147,034,858)	(147,034,858)
Fair value and capital reserves	43	(26,945,082)	17,361,407
Loan loss reserve	44	6,349,934	2,269,374
Banking reserve fund	45	6,897,231	6,795,733
Retained earnings reserve	46	67,170,000	65,320,000
Retained earnings		<u>115,916,115</u>	<u>90,115,895</u>
Equity attributable to stockholders of the parent		<u>149,527,995</u>	<u>161,456,191</u>
Non-controlling interest	53	48,471,454	45,208,835
Total stockholders' equity		<u>197,999,449</u>	<u>206,665,026</u>
Total stockholders' equity and liabilities		<u>2,078,688,601</u>	<u>1,917,127,972</u>

Approved for issue by the Board of Directors on November 29, 2022 and signed on its behalf by:



Hon. Patrick Hylton, OJ, CD

President and Group Chief
Executive Office



Dennis Cohen

Group Chief Financial Officer and
Deputy Chief Executive Officer



Professor, the Hon. Alvin Wint, OJ, CD

Lead Independent Director



Dave Garcia

Corporate Secretary

NCB Financial Group Limited

Consolidated Statement of Changes in Equity

Year ended September 30, 2022

(expressed in Jamaican dollars unless otherwise indicated)

Note	Share Capital	Treasury Shares	Reserves 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 1 October 2020	153,827,330	(15,150,201)	(147,034,858)	12,216,660	-	6,735,063	58,580,000	86,940,684	44,090,245	200,204,923
Total comprehensive income :										
Net profit	-	-	-	-	-	-	-	14,226,671	5,848,935	20,075,606
Other comprehensive income	-	-	-	5,144,747	-	-	-	(505,195)	(4,367,780)	271,772
Transfer from Loan Loss Reserve	-	-	-	-	2,269,374	-	-	(2,269,374)	-	-
Transfer to Banking Reserve Fund	-	-	-	-	-	60,670	-	(60,670)	-	-
Transfer to Retained Earnings Reserve	-	-	-	-	-	-	6,740,000	(6,740,000)	-	-
Purchase of treasury shares	42	(14,889,477)	-	-	-	-	-	-	-	(14,889,477)
Disposal of treasury shares	42	2,840,988	-	-	-	-	-	(312,492)	-	2,528,496
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	(362,565)	(362,565)
Transaction with owners of the Company :										
Dividends paid	52	-	-	-	-	-	-	(1,163,729)	-	(1,163,729)
Balance at September 30, 2021	153,827,330	(27,198,690)	(147,034,858)	17,361,407	2,269,374	6,795,733	65,320,000	90,115,895	45,208,835	206,665,026
Total comprehensive income:										
Net profit	-	-	-	-	-	-	-	31,915,018	12,603,938	44,518,956
Other comprehensive income	-	-	-	(44,306,489)	-	-	-	-	(7,852,969)	(52,159,458)
Transfer to Loan Loss Reserve	-	-	-	-	4,080,560	-	-	(4,080,560)	-	-
Transfer to Banking Reserve Fund	-	-	-	-	-	101,498	-	(101,498)	-	-
Transfer to Retained Earnings Reserve	-	-	-	-	-	-	1,850,000	(1,850,000)	-	-
Disposal of treasury shares	42	546,015	-	-	-	-	-	(82,740)	-	463,275
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	(1,488,350)	(1,488,350)
Balance at September 30, 2022	153,827,330	(26,652,675)	(147,034,858)	(26,945,082)	6,349,934	6,897,231	67,170,000	115,916,115	48,471,454	197,999,449

NCB Financial Group Limited

Consolidated Statement of Cash Flows

Year ended September 30, 2022

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2022 \$'000	2021 \$'000
Cash Flows from Operating Activities			
Net profit		39,922,845	20,075,606
Adjustments to reconcile net profit to net cash provided by operating activities		9,565,986	18,379,727
Net cash provided by operating activities	47	49,488,831	38,455,333
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment	29	(3,093,060)	(3,440,521)
Acquisition of intangible assets – computer software	28	(8,640,526)	(4,956,374)
Proceeds from disposal of property, plant and equipment		3,459,229	79,338
Purchase of investment property	25	(1,209,841)	(2,464,615)
Proceeds from disposal of investment property		952,088	19,393
Purchase of investment securities		(533,056,538)	(676,729,612)
Sales/maturities of investment securities		438,687,607	647,446,405
Net cash used in investing activities		(102,901,041)	(40,045,986)
Cash Flows from Financing Activities			
Proceeds from securitisation arrangements		45,187,455	-
Repayment of securitisation arrangements		(9,089,479)	(7,894,566)
Proceeds from other borrowed funds		64,458,635	55,166,682
Repayments of other borrowed funds		(49,767,061)	(45,264,920)
Due to banks		8,654,988	(2,978,153)
Purchase of treasury shares	42	-	(831,815)
Proceeds from disposal of treasury shares	42	463,275	2,528,496
Lease liabilities		(1,633,705)	(2,564,669)
Dividends paid		(1,488,350)	(1,526,294)
Net cash provided by/(used in) financing activities		56,785,758	(3,365,239)
Net increase/(decrease) of exchange rate changes on cash and cash equivalents		3,375,153	(466,371)
Net increase/(decrease) in cash and cash equivalents		6,748,701	(5,422,263)
Cash and cash equivalents at beginning of period		195,743,140	201,165,403
Cash and Cash Equivalents at End of Period		202,491,841	195,743,140
Comprising:			
Cash in hand and balances at Central Banks	17	25,364,556	27,886,988
Due from banks	18	183,381,829	171,369,963
Reverse repurchase agreements	20	1,870,664	4,677,979
Investment securities	22	11,894,607	7,190,324
Due to banks	32	(20,019,815)	(15,382,114)
		202,491,841	195,743,140

NCB Financial Group Limited

Company Statement of Comprehensive Income

Year ended September 30, 2022

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2022 \$'000	2021 \$'000
Income			
Management fees	7	3,500,000	3,500,000
Dividend income	11	1,229,820	14,973,250
Credit impairment losses	13	(9,699)	(441)
Losses on foreign currency activities	8	(2,529,690)	(6,394,631)
		<u>2,190,431</u>	<u>12,078,178</u>
Expenses			
Staff costs	12	4,372,593	3,972,871
Finance cost		125,084	159,465
Other operating expenses	14	1,936,300	1,787,205
		<u>6,433,977</u>	<u>5,919,541</u>
Operating (loss)/profit		<u>(4,243,546)</u>	<u>6,158,637</u>
Interest income	6	2,219,338	523,379
Interest expense	6	(6,224,453)	(6,314,782)
(Loss)/profit before Taxation		<u>(8,248,661)</u>	<u>367,234</u>
Taxation	15	2,182,620	3,198,298
NET (LOSS)/PROFIT		<u>(6,066,041)</u>	<u>3,565,532</u>
Other comprehensive income			
Changes in unrealised gains on securities designated as FVOCI		(361)	(231)
TOTAL COMPREHENSIVE (LOSS)/INCOME		<u>(6,066,402)</u>	<u>3,565,301</u>

NCB Financial Group Limited

Company Statement of Financial Position

September 30, 2022

(expressed in Jamaican dollars unless otherwise indicated)

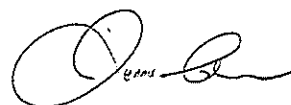
	Note	2022 \$'000	2021 \$'000
ASSETS			
Due from banks	18	280,630	15,797,132
Loan to related party	21	50,395,070	-
Investment securities	22	7,126,192	7,126,178
Investment in subsidiaries		167,811,096	216,086,443
Right-of-use assets		176,987	74,599
Deferred income tax assets	30	10,746,669	8,563,874
Income tax recoverable		618,345	494,079
Other assets	31	8,247,199	936,044
Total Assets		245,402,188	249,078,349
LIABILITIES			
Due to banks	32	18,639,756	16,369,976
Other borrowed funds	34	80,816,324	84,933,195
Derivative financial liability		402,695	-
Lease liabilities		121,489	76,438
Other liabilities	41	6,090,185	2,763,875
Total Liabilities		106,070,449	104,143,484
EQUITY			
Share capital	42	153,827,330	153,827,330
Treasury shares		(11,232,294)	(11,778,309)
Fair value reserves		1,043	1,404
Retained earnings		(3,264,340)	2,884,440
Total Equity		139,331,739	144,934,865
Total Equity and Liabilities		245,402,188	249,078,349

Approved for issue by the Board of Directors on November 29, 2022 and signed on its behalf by:



Hon. Patrick Hylton, OJ, CD

President and Group Chief
Executive Officer



Dennis
Cohen

Group Chief Financial Officer and
Deputy Chief Executive Officer



Professor, the Hon. Alvin Wint, OJ, CD

Lead Independent Director



Dave Garcia

Corporate Secretary

NCB Financial Group Limited

Company Statement of Changes in Equity

Year ended September 30, 2022

(expressed in Jamaican dollars unless otherwise indicated)

Note	Share Capital	Treasury Shares	Fair Value Reserves	Retained Earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at September 30, 2020	153,827,330	(561,635)	1,635	828,440	154,095,770
Total comprehensive income					
Net profit	-	-	-	3,565,532	3,565,532
Other comprehensive income	-	-	(231)	-	(231)
Purchase of treasury shares	-	(14,057,662)	-	-	(14,057,662)
Disposal of treasury shares	-	2,840,988	-	(312,492)	2,528,496
Transaction with owners of the Company -					
Dividends paid	-	-	-	(1,197,040)	(1,197,040)
52					
Balance at September 30, 2021	153,827,330	(11,778,309)	1,404	2,884,440	144,934,865
Total comprehensive income					
Net profit	-	-	-	(6,066,041)	(6,066,041)
Other comprehensive income	-	-	(361)	-	(361)
Disposal of treasury shares	-	546,015	-	(82,739)	463,276
Balance at September 30, 2022	153,827,330	(11,232,294)	1,043	(3,264,340)	139,331,739

NCB Financial Group Limited

Company Statement of Cash Flows

Year ended September 30, 2022

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2022 \$'000	2021 \$'000
Cash Flows from Operating Activities			
Net (loss)/profit		(6,066,041)	3,565,532
Adjustments to reconcile net profit to cash provided by operating activities			
Finance cost		125,084	159,465
Interest income	6	(2,219,338)	(523,379)
Interest expense	6	6,224,453	6,314,782
Income tax expense	15	(2,182,620)	(3,198,298)
Foreign exchange losses	8	2,529,690	6,394,631
Amortisation of upfront borrowing fees		128,704	121,332
Provision for credit losses		9,699	441
Changes in operating assets and liabilities:			
Loans and advances		(2,110,457)	249,963
Other		(1,446,827)	528,592
		<u>1,058,388</u>	<u>10,047,529</u>
Interest received		2,219,338	513,802
Interest paid		(6,462,866)	(6,154,703)
Income tax paid		(124,441)	(86,242)
		<u>(3,309,581)</u>	<u>4,320,386</u>
Net cash (used in)/provided by operating activities		<u>(9,375,622)</u>	<u>7,885,918</u>
Cash Flows from Investing Activities			
Outflow of cash to inject capital in subsidiary		(18,965)	(2,053,021)
Net cash used in investing activities		<u>(18,965)</u>	<u>(2,053,021)</u>
Cash Flows from Financing Activities			
Proceeds from disposal of treasury shares		463,276	2,528,496
Proceeds from other borrowed funds		39,312,323	31,963,928
Repayment of other borrowed funds		(44,840,559)	(24,939,638)
Repayment of lease liabilities		(177,840)	(150,577)
Due to banks		2,225,452	2,734,451
Dividends paid		-	(1,197,040)
Net cash (used in)/provided by financing activities		<u>(3,017,348)</u>	<u>10,939,620</u>
Net decrease of exchange rate changes on cash and cash equivalents		(3,104,567)	(3,736,258)
Net (decrease)/increase in cash and cash equivalents		(15,516,502)	13,036,259
Cash and cash equivalents at beginning of period		15,797,132	2,760,873
Cash and Cash Equivalents at End of Period	18	<u>280,630</u>	<u>15,797,132</u>

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2022

(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 52.68% (2021 – 52.63%) 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, 2022

(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
MSIB Limited (formerly Mutual Security Insurance Brokers Limited)	Jamaica	Dormant		100
NCB Capital Markets Limited	Jamaica	Securities Dealing and Stock Brokerage Services		100
NCB Capital Markets (Cayman) Limited	Cayman	Securities Dealing		100
NCB Merchant Bank (Trinidad and Tobago) Limited	Trinidad & Tobago	Merchant Banking		100
NCB Capital Markets (Barbados) Limited	Barbados	Brokerage Services		100
NCB Capital Markets SA	Dominican Republic	Inactive		100
NCB Capital Markets (Guyana) Inc	Guyana	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 Agency & Fund Managers	Jamaica	Insurance Agency and Pension Fund Management Services		100
N.C.B. (Investments) Limited	Jamaica	Dormant		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	-		100
West Indies Trust Company Limited	Jamaica	Trust and Estate Management Services		100
NCB Global Holdings Limited	Trinidad & Tobago	Holding Company	100	
Guardian Holdings Limited	Trinidad & Tobago	Holding Company		61.77
Guardian Life of the Caribbean Limited	Trinidad & Tobago	Life and Health Insurance and Pensions Services		100
Guardian Life Limited	Jamaica	Life and Health Insurance and Pensions Services		100
Fatum Life Insurance N.V.	Curacao	Life and Health Insurance and Pensions Services		100
Fatum Life Aruba N.V.	Aruba	Life and Health Insurance and Pensions Services		100
Fatum Health N.V.	Curacao	Life and Health Insurance and Pensions Services		100
Guardian Life (OECS) Limited	Grenada	Life and Health Insurance and Pensions Services		100
Guardian General Insurance	T&T	Property and Casualty Insurance Services		100

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2022

(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)				
Guardian General Insurance Jamaica Limited	Jamaica	Property and Casualty Insurance Services		100
Fatum General Insurance N.V.	Curacao	Property and Casualty Insurance Services		100
Fatum General Insurance Aruba N.V.	Aruba	Property and Casualty Insurance Services		100
Fatum Brokers Holding B.V.	Curacao	Property and Casualty Insurance Services		100
Thoma Exploitatie B.V.	Netherlands	Property and Casualty Insurance Services		100
Guardian Re (S.A.C) Limited	Bermuda	Property and Casualty Insurance Services		100
Guardian General (OECS) Limited	Grenada	Property and Casualty Insurance Services		100
Guardian Group Trust Limited	Trinidad & Tobago	Asset Management		100
Guardian Asset Management and Investment Services Limited	Trinidad & Tobago	Asset Management		100
Laevulose Inc. Limited	Trinidad & Tobago	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
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		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		100
TFOB (2022) Limited	Jamaica	Digital/Electronic Payments		100

*No significant activities at this time

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2022

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities (Continued)

The shareholdings for all subsidiaries are the same as they were in the prior year.

The Group's associates are as follows:

	<u>Principal Activities</u>	<u>Percentage ownership</u>
RGM Limited	Property investment	33.33
Royal Star Holdings	Insurance	26.32
Dyoll Group Limited	In Liquidation	44.47
Elite Diagnostic Limited	Medical Imaging Services	18.69
Mundo Finance Limited	Micro Financing	50.00

The Group's associates are incorporated either in Jamaica or Trinidad & Tobago.

2. Significant Accounting Policies

(a) Basis of preparation

These financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS and have been prepared under the historical cost convention as modified by the revaluation of FVOCI securities, derivatives, investment property, certain property, plant and equipment, defined benefit pension plans where plan assets are measured at fair value and financial assets and liabilities at fair value through profit or loss.

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. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from these estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2022

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Group has assessed the relevance of all such new interpretations and amendments, and has adopted the following, which are relevant to its operations:

Amendments to IFRS 7, IFRS 4, and IFRS 16 – Interest rate benchmark reform – Phase 2 (effective 1 January 2021). The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.

Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (effective 1 January 2021). These amendments defer the date of application of IFRS 17 by two years to 1 January 2023 and change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial instrument until 1 January 2023.

Amendment to IFRS 16, ‘Leases’ – Covid-19 related rent concessions Extension of the practical expedient (effective 1 April 2021). These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Give the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

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

Amendments to IAS 1, Presentation of financial statements’, on classification of liabilities, (effective for annual periods beginning on or after 1 January 2022. These narrow-scope amendments to IAS 1, ‘Presentation of financial statements’, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the ‘settlement’ of a liability. The Group is currently assessing the impact of this amendment.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2022

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

Amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on, IFRS 9 and IFRS 16, (effective for annual periods beginning on or after 1 January 2022). Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making. Annual improvements make minor amendments to, IFRS 9, 'Financial instruments' and the Illustrative examples accompanying IFRS 16, 'Leases'. The Group is currently assessing the impact of this amendment.

Amendments to IAS 1, Presentation of financial statements', on classification of liabilities, (effective for annual periods beginning on or after 1 January 2023). Amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. The Group is currently assessing the impact of this amendment.

Amendments to IAS 1, Practice statement 2 and IAS 8, (effective for annual periods beginning on or after 1 January 2023). The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. The Group is currently assessing the impact of this amendment.

Amendment to IAS 12 – deferred tax relates to assets and liabilities arising from a single transaction. (effective for annual periods beginning on or after 1 January 2023). These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences. The Group is currently assessing the impact of this amendment.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2022

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

IFRS 17, 'Insurance contracts', as amended in June 2021 (effective for annual periods beginning on or after 1 January 2023). This standard will replace IFRS 4 Insurance Contracts and will materially change the recognition and measurement of insurance contracts and the corresponding presentation and disclosures in the Group's financial statements. In June 2020, the IASB released amendments which, among other things, addressed concerns raised on the initial release of the standard, dealt with some implementation challenges and confirmed the deferral of the standard's effective date as 1 January 2023.

IFRS 17 must be applied retrospectively. However if full retrospective application to a group of contracts is impractical, the modified retrospective or fair value methods may be used. The standard requires entities to measure insurance contract liabilities in the statement of financial position as the total of (a) the fulfilment cash flows – the current estimates of amounts that the Group expects to collect from premiums and pay out for claims, benefits and expenses, including an adjustment for the timing and risk for those amounts and (b) the contractual service margin – the future profit for providing insurance coverage. IFRS 17 will have a significant impact on the Group's consolidated financial statements, tax and regulatory capital positions and other financial metrics that are dependent upon IFRS accounting values. The Group's assessment of the impact of IFRS 17, including work to ensure implementation by the effective date, is ongoing. the Group is currently assessing the impact of this amendmen, however the impact of the pending adoption is further detailed in Note 58.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2022

(expressed in Jamaican dollars unless otherwise indicated)

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 a majority of voting power in an entity. In such cases, the Group Exercises judgment 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 and liabilities acquired and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the cost of the acquisition, the non-controlling interest recognised and the fair value of any previously held equity interest in the acquiree, over the fair value of the net identifiable assets acquired is recorded as goodwill. If there is no excess and there is a shortfall, the Group reassesses the net identifiable assets acquired. If after reassessment, a shortfall remains, the acquisition is deemed to be a bargain purchase and the shortfall is recognised in income as a gain on acquisition. Any non-controlling interest balances represent the equity in a subsidiary not attributable to NCBFG's stockholders.

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 separate 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 identified on acquisition.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2022

(expressed in Jamaican dollars unless otherwise indicated)

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 using the results for the most recent 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 separate 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.

NCB Financial Group Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

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 ("the presentation currency"), 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. In the case of changes in the fair value of monetary assets denominated in foreign currency classified as FVOCI, 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.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2022

(expressed in Jamaican dollars unless otherwise indicated)

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 the regulations in the various territories. 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(w).

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.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2022

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(f) Assets 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.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2022

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(i) Financial assets

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. Judgment 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 instrument's 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.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2022

(expressed in Jamaican dollars unless otherwise indicated)

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 expired.

Classification of financial assets

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.

NCB Financial Group Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

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.

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.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2022

(expressed in Jamaican dollars unless otherwise indicated)

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 unlikelihood 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, and for the incorporation of scenarios which have not generally been subject to experience gained through stress testing. The exercise of judgment 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.

NCB Financial Group Limited

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(expressed in Jamaican dollars unless otherwise indicated)

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 credit impaired financial assets, based on management's assessment of the borrower, a specific provision of expected life-time losses which incorporates collateral and recoveries from other credit-enhancements 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, 2021 and September 30, 2022 vary by jurisdiction and were as follows:

Scenarios	Base 85%	Best Case 5%	Worst Case 10%
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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

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(expressed in Jamaican dollars unless otherwise indicated)

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 in which the loan is denominated.
- 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 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 net of loss allowance for the portfolio. 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 expected 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.

NCB Financial Group Limited

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September 30, 2022

(expressed in Jamaican dollars unless otherwise indicated)

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.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2022

(expressed in Jamaican dollars unless otherwise indicated)

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 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.

NCB Financial Group Limited

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(expressed in Jamaican dollars unless otherwise indicated)

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

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

Investment securities are classified into the following categories: investment securities at FVPL, FVOCI and amortised cost 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.

FVOCI and amortised cost 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 FVOCI and amortised cost 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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(expressed in Jamaican dollars unless otherwise indicated)

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 FVOCI and amortised cost. 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.

In the case of equity securities classified as FVOCI and amortised cost, 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 FVOCI and amortised cost 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 valuers. Changes in fair values are recorded in the income statement.

If investment properties become owner-occupied, they are reclassified as property, plant and equipment, and their fair value at the date of reclassification becomes its cost for subsequent accounting periods. Alternatively, where properties classified as held for use become investment properties because of a change in use, these properties are accounted for as investment properties and any differences arising between the carrying amount and the fair value of these items at the date of transfer are recognised in the consolidated statement of comprehensive income. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the consolidated statement of income.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Upon disposal, any surplus previously recorded in the property revaluation reserve in equity is transferred to retained earnings.

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2. Significant Accounting Policies (Continued)

(o) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries or associates and represents 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. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, negative goodwill, in the case of a bargain purchase, the difference is recognised directly in the income statement.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Cash Generating Unit (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) Contractual customer and distribution relationships, trade name, mutual fund and renewal rights

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.

(iii) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their expected useful life of three years.

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development team's employee costs and an appropriate portion of relevant overheads. All other costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

Intangible assets with indefinite useful lives are assessed for impairment annually, or more frequently if events changed in circumstances indicate a potential impairment.

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2. Significant Accounting Policies (Continued)

(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.

(q) 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.

(r) 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.

NCB Financial Group Limited

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2. Significant Accounting Policies (Continued)

(s) 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(s); short term liabilities FVTPL are measured at fair value and 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.

(t) 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.

(u) 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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(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(v) Leases

The Group has changed its accounting policy for leases where the Group is the lessee.

As lessee

The Group leases various buildings and equipment. Rental contracts are typically made for fixed periods of 1-10 years but may have extension options as described below.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2021 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and,
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The right-of-use assets are presented within property, plant and equipment. Right-of-use assets are measured initially at cost comprising the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date less any lease incentive received;
- any initial direct costs; and,
- restoration costs.

Subsequently the right-of-use assets are measured at cost less accumulated depreciation and any accumulated impairment losses are adjusted for remeasurement of the lease liability due to reassessment or lease modifications.

The right of use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The amortisation period for the right-of-use assets is 1 to 10 years.

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2. Significant Accounting Policies (Continued)

(v) Leases (continued)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the lessee's incremental borrowing rates, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Short-term leases are leases with a lease term of 12 months or less.

Low-value assets comprise computers, tablets, mobile phones and small items of office furniture.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review; there were no onerous contracts;
- accounting for operating leases with a remaining lease term of less than 12 months is classified as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use assets at the date of initial application; and,
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

NCB Financial Group Limited

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(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(w) 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 legislation 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 contracts in force 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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Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(w) 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 are traditional participating and non-participating policies that 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.

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2. Significant Accounting Policies (Continued)

(w) 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 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)

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

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 subsidiary, 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) The 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 is recognised as liabilities. The insurance component of the premiums is recognised as income.
- (b) The Jamaican life insurance subsidiary issues policies classified as Interest sensitive long-term contracts without fixed terms, for which the investment component of premiums is recognised as liabilities. The insurance component of the premiums is 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 accrue 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.

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2. Significant Accounting Policies (Continued)

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

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.

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 the 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.

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2. Significant Accounting Policies (Continued)

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

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.

(x) 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.

(y) Post-employment benefits

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans and post-employment medical plans.

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.

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2. Significant Accounting Policies (Continued)

(y) Post-employment benefits (continued)

Pension benefits (continued)

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.

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 the statement of financial position date are discounted to present value.

Annual leave

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the year end date.

Other employee benefits

The Group makes loans to employees at interest rates below the comparable market rate. The loans revert to market rate if the employee leaves either the Group or the related party company. Reduced rate employee loans are financial assets and under IFRS 9, they are initially recognized at fair value and thereafter at amortized cost. For the Group's employees, the difference between fair value and the amount of the loan is recorded as a prepaid benefit with a corresponding decrease in the carrying value of loans and advances. The benefit is recognized as an expense over the expected service life of the employee, with a corresponding increase in interest income.

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2. Significant Accounting Policies (Continued)

(z) **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 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 obligations are considered to be contingent, the amounts are disclosed in Note 57.

NCB Financial Group Limited

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(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(aa) 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

Subject to the applicable laws of the relevant jurisdictions in which the Company, its subsidiaries or consolidated entities operate, 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. 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.

(ab) Offsetting of financial instruments

Financial assets and liabilities are offset with the net amount presented in the statements of financial position, only if the Group holds a currently enforceable legal right to set off the recognized amounts and there is an intention to settle on a net basis or to realise assets and settle the liability simultaneously. The legal right to set off the recognized amounts must be enforceable in both the normal course of business, and in the event of default, insolvency or bankruptcy of both the Group and its counterparty. In all other situations they are presented gross. When financial assets and financial liabilities are offset in the statement of financial position, the associated income and expense items will also be offset in the income statements, unless specifically prohibited by an applicable accounting standard.

(ac) 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.

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3. Critical Accounting Estimates and Judgments 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.

(a) *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 50

(b) *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.

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Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

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

(c) Impairment of financial assets

In determining ECL, management is required to exercise judgment 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 judgments 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:

- investment grade, or
- below investment grade at origination, and have not been downgraded more than 2 notches since origination.

Stage 2 instruments are assets which:

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

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(expressed in Jamaican dollars unless otherwise indicated)

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

(c) Impairment of financial assets (continued)

Debt securities and deposits. (continued)

Stage 3 instruments are assets in default where estimated future cash flows have been impacted negatively.

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 governments, 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.

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(expressed in Jamaican dollars unless otherwise indicated)

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

(d) Geopolitical and economic developments

Though still expected to grow in 2022, global economic activity is slowing more broadly and sharply than previously forecasted, with inflation higher than it has been in several decades. High cost-of-living, tightening financial conditions in most regions, Russia's invasion of Ukraine, and the lingering effects of the COVID-19 pandemic are weighing on the growth outlook. Against this background, the IMF revised its 2023 global growth projections from 2.9% to 2.7%, while keeping its 3.2% forecast for 2022. Except for the global financial crisis and the acute phase of the COVID-19 pandemic, this is the weakest growth profile since 2001. Latin America and the Caribbean are expected to grow by 3.5% in 2022 and slow to 1.7% in 2023, following a 6.9% rebound in 2021.

All of our operating territories are expected to see strong growth in real GDP in 2022. Barbados is expected to lead with 10.5%, followed by Trinidad and Tobago (4.0%), Cayman Islands (4.0%), Jamaica (2.8%), and Bermuda (2.6%). Tourism dependent countries should continue to benefit from the recovery in global travel, and its spillover effects on other sectors. According to the most recent UNWTO World Tourism Barometer, international tourism experienced a strong rebound in the first seven months of 2022, with arrivals reaching 57% of its pre-pandemic levels. Notably, the Caribbean region is recovering at a faster pace, reaching 82% of its 2019 level over the same period. The rebound has been fueled by pent-up demand, increased airlifts, reduced fear around travelling, higher investments, economic recovery and strong labour markets in source countries. These factors have supported growth in our tourism dependent operating countries of Jamaica, Barbados, Cayman Islands and Bermuda[2], while elevated energy prices and increased energy production is driving growth in Trinidad & Tobago. Additionally, growth is being bolstered by the economic reopening, normalized business hours, higher employment, and greater private consumption.

However, the forecast is for growth to moderate across our operating territories in 2023 as high inflation and tighter financial conditions are presenting headwinds that could slow the pace of recovery in key trading partners and the region. Furthermore, while the tourism sector is still expected to grow, there is the risk of a moderation in the pace of growth. The latest UNWTO Confidence Index and booking trends are suggesting the potential for a slowdown in the demand for travel, given the combination of rising interest rates, high, though falling, energy and food prices, and prospects of a global recession. Although oil and natural gas prices are expected to fall in 2023, they should remain relatively high, which along with higher production, will continue to support growth in Trinidad.

Despite the risks to our operating environments, the outlook for growth this year remains positive, thanks to the more widespread economic reopening. The high inflation and interest environment have and should continue to fuel greater net interest and fee and commission income in the banking sector. However, this is likely to be tempered by a slowdown in loan demand given higher market interest rates. It will also continue to adversely affect insurance and securities dealers by reducing the value of bonds. Higher interest rates should reduce the assets and liabilities of life insurers, but the net effect is expected to be positive, because the impact on the value of liabilities is expected to be greater. However, bond prices are expected to remain weak, reducing opportunities for trading gains. Tighter liquidity conditions could cause some spread compression in our securities business. However, because of their ability to hedge against inflation, demand for new alternative investment products should increase, boosting fee and commission income. Furthermore, high debt costs will make equity financing more attractive supporting increased IPOs, APOs, and cross-listings on the JSE. However, the size of these transactions will be limited by tight JMD liquidity. Despite new headwinds, the Group will continue to capitalize on emerging opportunities, while attempting to mitigate existing and emerging risks.

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

(e) ***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 subsidiary, actuarial liabilities are calculated using the CPPM. The Jamaican life insurance subsidiary 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 subsidiary, 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 main source of uncertainty is that epidemics and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which the Group has significant exposure to mortality risk. However, continuing improvements in medical care and social conditions could result in improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where the Group is exposed for longevity risk.

Sensitivity analyses for key estimates used in determining the actuarial liabilities are included in Notes 39 and 49e.

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

(f) ***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.

Sensitivity analyses for key estimates used in determining the actuarial liabilities are included in Note 49.

(g) ***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.

(h) **Interests in structured entities**

Unit Trust Scheme

A subsidiary of 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. A subsidiary of the Group is the investment manager of the Unit Trust. Determining whether the Group controls the Unit Trust requires judgment. 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.

One of the Group's subsidiaries, 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. The Group owns 0.45% (2021 – 0.43%) of the units in the Unit Trust at September 30, 2022.

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

(h) Interests in structured entities (continued)

Unit Trust Scheme (continued)

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 economic exposure and 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 by virtue of an entrenched management contract. 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 measured at net assets value on the consolidated statement of financial position.

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 company's 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.

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5. Segment Reporting

The Group is organised into the following business segments:

- (a) Consumer & SME banking – This incorporates the provision of banking services to individual and small and medium business clients.
- (b) Payment services – This incorporates the provision of card related and digital/electronic payment services.
- (c) Corporate & commercial 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 unallocated 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 National Commercial Bank Jamaica Limited ("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-segment transactions.

NCB Financial Group Limited

Notes to the Financial Statements

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5. Segment Reporting (Continued)

Year ended September 30, 2022	Consumer & SME Banking \$'000	Payment Services \$'000	Corporate & Commercial Banking \$'000	Treasury & Correspondent Banking \$'000	Wealth, Asset Management & Investment Banking \$'000	Life & Health Insurance & Pension Fund Management \$'000	General Insurance \$'000	Other & Consolidation Adjustments \$'000	Total \$'000
External revenue	35,110,907	25,311,620	14,187,839	18,812,960	20,319,067	125,563,983	84,252,249	(4,155,846)	319,402,779
Revenue from other segments	3,016,992	3,240	939,631	6,799,649	4,104,917	844,009	399,986	(16,108,424)	-
Total revenue	38,127,899	25,314,860	15,127,470	25,612,609	24,423,984	126,407,992	84,652,235	(20,264,270)	319,402,779
Net interest income	25,428,512	5,613,374	8,746,029	4,767,546	7,697,635	16,941,929	1,019,295	(10,950,912)	59,263,408
Net fee and commission income	4,814,277	8,609,725	1,225,185	535,219	4,271,601	3,805,385	3,859,244	(2,531,389)	24,589,247
Gain/(loss) on foreign currency and investment activities	41,459	56,131	56	9,530,478	2,661,435	5,835,059	394,528	(1,942,882)	16,576,264
Net result from insurance activities	-	-	-	-	-	28,180,517	14,021,234	102,243	42,303,994
Credit impairment (losses)/reversals	(2,124,246)	(64,358)	235,580	85,364	575,985	(1,144,038)	(142,554)	(145,288)	(2,723,555)
Other operating income and dividend income	2,625,017	4,301	(447)	16	801,866	3,249,652	98,337	1,638,533	8,417,275
Total operating income/(loss)	30,785,019	14,219,173	10,206,403	14,918,623	16,008,522	56,868,504	19,250,084	(13,829,695)	148,426,633
Staff costs	9,538,785	1,518,248	649,039	293,460	3,197,537	8,834,068	6,298,156	5,997,925	36,327,218
Depreciation and amortisation	1,317,336	718,548	52	29,295	111,514	997,830	755,062	2,301,636	6,231,273
Finance cost	527,010	11,223	24,590	7,202	64,192	190,145	130,785	374,599	1,329,746
Other operating expenses	7,057,635	5,853,000	1,323,305	1,469,975	3,484,781	9,795,897	6,239,515	(4,024,933)	31,199,175
Total operating expenses	18,440,766	8,101,019	1,996,986	1,799,932	6,858,024	19,817,940	13,423,518	4,649,227	75,087,412
Operating profit/(loss) before allocated costs	12,344,253	6,118,154	8,209,417	13,118,691	9,150,498	37,050,564	5,826,566	(18,478,922)	73,339,221
Allocated costs	(12,286,723)	(3,867,886)	(1,547,565)	(708,533)	-	-	-	-	(18,410,707)
Operating profit/(loss) c/fwd	57,530	2,250,268	6,661,852	12,410,158	9,150,498	37,050,564	5,826,566	(18,478,922)	54,928,514

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5. Segment Reporting (Continued)

Year ended September 30, 2022	Consumer & SME Banking \$'000	Payment Services \$'000	Corporate & Commercial Banking \$'000	Treasury & Correspondent Banking \$'000	Wealth, Asset Management & Investment Banking \$'000	Life & Health Insurance & Pension Fund Management \$'000	General Insurance \$'000	Other & Consolidation Adjustments \$'000	Total \$'000
Operating profit/(loss) b/fwd	57,530	2,250,268	6,661,852	12,410,158	9,150,498	37,050,564	5,826,566	(18,478,922)	54,928,514
Unallocated corporate expenses									(9,791,993)
Share of profit of associates									732,513
Profit before Taxation									45,869,034
Taxation									(5,946,189)
Net Profit									39,922,845
Segment assets	479,573,398	44,280,064	182,202,778	437,530,022	417,792,263	620,211,568	118,597,422	(256,578,958)	2,043,608,557
Associates									7,051,463
Unallocated assets									28,028,581
Total assets									2,078,688,601
Segment liabilities	455,122,313	26,684,561	167,154,220	412,216,949	375,163,174	461,872,734	77,902,010	(104,552,817)	1,871,563,144
Unallocated liabilities									9,126,008
Total liabilities									1,880,689,152
Capital expenditure	4,030,621	3,749,372	143,438	338,097	600,457	1,197,029	1,240,268	434,305	11,733,587

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5. Segment Reporting (Continued)

Year ended September 30, 2022	Total per segment report \$'000	Allocated expenses \$'000	Unallocated corporate expenses \$'000	Total per income statement \$'000
Reconciliation to income statement				
Net interest income	59,263,408	(49,806)	(14,740)	59,198,862
Net fee and commission income	24,589,247	376,410	1,167,094	26,132,751
Gain on foreign currency and investment activities	16,576,264	-	-	16,576,264
Net result from insurance activities	42,303,994	-	-	42,303,994
Other operating income and dividend income	8,417,275	185,773	(494,747)	8,108,301
Credit impairment losses	(2,723,555)	-	-	(2,723,555)
Staff costs	(36,327,218)	(9,859,926)	(2,918,617)	(49,105,761)
Depreciation and amortisation	(6,231,273)	(2,053,636)	(607,895)	(8,892,804)
Finance cost	(1,329,746)	(334,839)	(384,237)	(2,048,822)
Other operating expenses	(31,199,175)	(6,674,683)	(6,538,851)	(44,412,709)
Operating profit	73,339,221	(18,410,707)	(9,791,993)	45,136,521

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5. Segment Reporting (Continued)

Year ended September 30, 2021	Consumer & SME Banking \$'000	Payment Services \$'000	Corporate & Commercial Banking \$'000	Treasury & Correspondent Banking \$'000	Wealth, Asset Management & Investment Banking \$'000	Life & Health Insurance & Pension Fund Management \$'000	General Insurance \$'000	Other & Consolidation adjustments \$'000	Total \$'000
External revenue	31,228,434	19,161,695	13,317,771	18,129,035	16,965,696	111,619,451	79,751,970	1,920,572	292,094,624
Revenue from other segments	2,513,635	-	51,407	4,277,065	9,170,327	951,906	278,981	(17,243,321)	-
Total revenue	33,742,069	19,161,695	13,369,178	22,406,100	26,136,023	112,571,357	80,030,951	(15,322,749)	292,094,624
Net interest income	24,338,183	5,742,297	7,519,189	3,475,798	6,479,750	10,188,922	843,652	(9,828,961)	48,758,830
Net fee and commission income	4,468,348	6,592,422	1,480,397	457,157	4,162,877	2,791,181	1,925,869	(760,754)	21,117,497
Gain/(loss) on foreign currency and investment activities	110,639	(54,964)	70,634	8,933,872	6,044,392	12,745,439	642,298	(5,662,158)	22,830,152
Net result from insurance activities	-	-	-	-	-	10,913,613	12,091,158	(53,079)	22,951,692
Credit impairment (losses)/reversals	(2,866,762)	(102,175)	953,048	165,210	(225,351)	(1,466,556)	268,936	(111,476)	(3,385,126)
Other operating income and dividend income	996,642	3,870	379,389	4,959	640,970	1,694,738	83,392	8,539,999	12,343,959
Total operating income	27,047,050	12,181,450	10,402,657	13,036,996	17,102,638	36,867,337	15,855,305	(7,876,429)	124,617,004
Staff costs	8,834,682	1,067,073	442,984	230,723	2,978,704	8,129,228	6,153,029	5,624,030	33,460,453
Depreciation and amortisation	1,446,672	527,885	173	618	115,233	986,178	552,825	2,382,200	6,011,784
Finance cost	411,716	8,243	15,393	8,033	49,857	215,251	139,665	493,851	1,342,009
Other operating expenses	5,682,944	4,862,402	772,993	1,145,174	2,790,768	7,960,342	4,144,288	139,292	27,498,203
Total operating expenses	16,376,014	6,465,603	1,231,543	1,384,548	5,934,562	17,290,999	10,989,807	8,639,373	68,312,449
Operating profit/(loss) before allocated costs	10,671,036	5,715,847	9,171,114	11,652,448	11,168,076	19,576,338	4,865,498	(16,515,802)	56,304,555
Allocated costs	(8,997,538)	(3,369,398)	(3,569,690)	(966,695)	-	-	-	-	(16,903,321)
Operating profit/(loss) c/fwd	1,673,498	2,346,449	5,601,424	10,685,753	11,168,076	19,576,338	4,865,498	(16,515,802)	39,401,234

NCB Financial Group Limited

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(expressed in Jamaican dollars unless otherwise indicated)

5. Segment Reporting (Continued)

Year ended September 30, 2021	Consumer & SME Banking \$'000	Payment Services \$'000	Corporate & Commercial Banking \$'000	Treasury & Correspondent Banking \$'000	Wealth, Asset Management & Investment Banking \$'000	Life & Health Insurance & Pension Fund Management \$'000	General Insurance \$'000	Other & Consolidation adjustments \$'000	Total \$'000
Operating (loss)/profit b/fwd	1,673,498	2,346,449	5,601,424	10,685,753	11,168,076	19,576,338	4,865,498	(16,515,802)	39,401,234
Unallocated corporate expenses									(13,145,990)
Share of profit of associates									340,289
Profit before Taxation									26,595,533
Taxation									(6,519,927)
Net Profit									20,075,606
Segment assets	480,659,700	30,121,414	192,516,914	386,143,676	385,478,671	477,087,890	109,491,074	(168,510,439)	1,892,988,900
Associates									5,950,188
Unallocated assets									18,188,884
Total assets									1,917,127,972
Segment liabilities	422,701,604	4,600,411	152,283,938	418,110,323	331,617,682	415,184,609	72,161,682	(115,451,425)	1,701,208,824
Unallocated liabilities									9,254,122
Total liabilities									1,710,462,946
Capital expenditure	4,385,084	1,328,397	252,199	92,224	582,679	1,108,494	229,625	418,193	8,396,895

NCB Financial Group Limited

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(expressed in Jamaican dollars unless otherwise indicated)

5. Segment Reporting (Continued)

Year ended September 30, 2021	Total per segment report \$'000	Allocated expenses \$'000	Unallocated corporate expenses \$'000	Total per income statement \$'000
Reconciliation to income statement				
Net interest income	48,758,830	(101,743)	(30,120)	48,626,967
Net fee and commission income	21,117,497	107,089	1,264,408	22,488,994
Gain on foreign currency and investment activities	22,830,152	-	-	22,830,152
Net result from insurance activities	22,951,692	-	-	22,951,692
Other operating income and dividend income	12,343,959	376,916	(5,128,199)	7,592,676
Credit impairment losses	(3,385,126)	-	-	(3,385,126)
Staff costs	(33,460,453)	(8,518,533)	(2,521,556)	(44,500,542)
Depreciation and amortisation	(6,011,784)	(2,544,878)	(753,302)	(9,309,964)
Finance cost	(1,342,009)	(381,430)	(112,907)	(1,836,346)
Other operating expenses	(27,498,203)	(5,840,741)	(5,864,315)	(39,203,259)
Operating profit	56,304,555	(16,903,320)	(13,145,991)	26,255,244

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. Jamaica represents 56.93% (2021 – 58.17%), Trinidad & Tobago represents 15.89% (2021 – 15.29%), Bermuda represents 6.72% (2021 – 5.34%) and Dutch Antilles represents 10.22% (2021 – 8.86%) of total operating income.

The Group's geographic information:

	Jamaica	Trinidad & Tobago	Dutch Antilles	Bermuda	Other	Total
	2022					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	130,052,971	84,818,336	50,450,121	12,111,227	41,970,124	319,402,779
Total assets	1,049,542,027	364,184,494	194,713,926	214,757,574	255,490,580	2,078,688,601
	2021					
Revenue	115,054,169	77,031,383	49,787,470	11,195,858	41,821,496	294,890,376
Total assets	993,069,768	291,690,840	186,382,827	205,775,441	244,449,296	1,921,368,172

Segment assets consist of investments that match insurance and banking liabilities, intangible assets and other operating assets such as receivables and cash. They exclude deferred income taxes, retirement benefit assets, investment in associates and investment in subsidiaries.

Segment liabilities comprise insurance liabilities, financial liabilities arising mainly from investment contracts and borrowing arrangements. They exclude items such as taxation, retirement benefit liabilities and business development loans.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2022

(expressed in Jamaican dollars unless otherwise indicated)

6. Net Interest Income

	The Group		The Company	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Interest income				
Loans and advances	48,164,902	43,454,360	1,714,115	-
Investment securities –				
Fair value through other comprehensive income	26,509,689	19,137,975	501,920	512,236
Amortised cost	9,234,075	10,480,133	-	-
Reverse repurchase agreements	378,849	946,205	-	-
Deposits and other	636,034	556,143	3,303	11,143
	<u>84,923,549</u>	<u>74,574,816</u>	<u>2,219,338</u>	<u>523,379</u>
Interest expense				
Customer deposits	3,832,068	3,499,244	-	-
Repurchase agreements	7,982,564	6,812,569	-	-
Policyholders' benefits	697,152	2,495,678	-	-
Securitisation arrangements	3,589,540	3,896,957	-	-
Other borrowed funds and amounts due to banks	9,623,363	9,243,401	6,224,453	6,314,782
	<u>25,724,687</u>	<u>25,947,849</u>	<u>6,224,453</u>	<u>6,314,782</u>
Net interest income/(expense)	<u>59,198,862</u>	<u>48,626,967</u>	<u>4,005,115</u>	<u>(5,791,403)</u>

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2022

(expressed in Jamaican dollars unless otherwise indicated)

7. Net Fee and Commission Income

	The Group		The Company	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Fee and commission income				
Consumer & SME Banking	4,437,249	4,538,908	-	-
Payment services	16,226,604	12,101,536	-	-
Corporate & commercial banking	3,451,749	1,491,139	-	-
Management fees	-	-	3,500,000	3,500,000
Treasury and correspondent banking	535,564	465,748	-	-
Wealth, asset management & investment banking	3,450,800	3,941,227	-	-
Life and health insurance & pension fund management	3,622,355	2,196,750	-	-
Brokerage fees	3,143,747	1,646,888	-	-
General insurance	174,955	1,796,850	-	-
Other	259,725	101,866	-	-
	<u>35,302,748</u>	<u>28,280,912</u>	<u>3,500,000</u>	<u>3,500,000</u>
Fee and commission expense				
Payment services	(9,169,997)	(5,791,918)	-	-
	<u>26,132,751</u>	<u>22,488,994</u>	<u>3,500,000</u>	<u>3,500,000</u>

8. Gain on Foreign Currency and Investment Activities

	The Group		The Company	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Net foreign exchange gains/(losses)	5,989,054	536,950	(2,529,690)	(6,394,631)
Gain on sale of debt securities held for trading	443,678	33,739	-	-
Gain on sale of debt securities at FVOCI	5,230,918	9,654,427	-	-
Unrealised (losses)/gains on FVPL instruments	(2,857,896)	3,032,235	-	-
Interest income on FVPL instruments	6,658,069	8,350,481	-	-
Gain on sale of equity securities	154,882	486,536	-	-
Gain/(loss) on sale of investment properties	279,853	(13,600)	-	-
Fair value gain on revaluation of investment property (Note 25)	1,050,588	1,154,604	-	-
Other	(372,882)	(405,220)	-	-
	<u>16,576,264</u>	<u>22,830,152</u>	<u>(2,529,690)</u>	<u>(6,394,631)</u>

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

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2022

(expressed in Jamaican dollars unless otherwise indicated)

9. Premium Income

	The Group	
	2022	2021
	\$'000	\$'000
Annuity contracts	39,981,281	33,621,255
Life and Health insurance contracts	57,774,798	51,345,637
General insurance contracts	66,934,674	65,070,333
	<u>164,690,753</u>	<u>150,037,225</u>
	The Group	
	2022	2021
	\$'000	\$'000
Insurance premium income		
Short term insurance contracts	91,440,414	87,874,337
Long term insurance contracts	73,250,339	62,162,888
	<u>164,690,753</u>	<u>150,037,225</u>
Insurance premium ceded to reinsurers		
Short term insurance contracts	48,040,321	46,368,132
Long term insurance contracts	2,542,684	2,214,316
	<u>50,583,005</u>	<u>48,582,448</u>
Net insurance premium	<u>114,107,748</u>	<u>101,454,777</u>

10. Net Policyholders' and Annuitants' Benefits and Reserves

	The Group	
	2022	2021
	\$'000	\$'000
Annuity contracts	34,441,243	34,291,273
Life and Health insurance contracts	21,643,485	26,924,734
General insurance contracts	8,813,932	9,352,800
	<u>64,898,660</u>	<u>70,568,807</u>

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2022

(expressed in Jamaican dollars unless otherwise indicated)

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

	The Group	
	2022 \$'000	2021 \$'000
Benefits and reserves under Life and Health insurance and Annuity contracts:		
Gross	58,556,426	63,134,539
Recovered from reinsurers	(2,471,718)	(1,918,510)
	<u>56,084,708</u>	<u>61,216,029</u>
Claims and loss adjustment reserves under General insurance contracts:		
Gross	55,106,095	14,079,793
Recovered from reinsurers	(46,292,143)	(4,727,015)
	<u>8,813,952</u>	<u>9,352,778</u>
	<u>64,898,660</u>	<u>70,568,807</u>

	The Group		
	2022		
	Gross \$'000	Reinsurance \$'000	Net \$'000
Benefits and reserves for life and annuity contracts			
Long-term insurance contracts with fixed and guaranteed terms and without DPF:			
Death, maturity and surrender benefits	20,884,270	(101,785)	20,782,485
Increase in liabilities	(1,809,239)	-	(1,809,239)
Long-term insurance contracts without fixed terms:			
Death, maturity and surrender benefits	23,886,208	(962,253)	22,923,955
Decrease in liabilities	(2,660,712)	-	(2,660,712)
Long-term insurance contracts with fixed and guaranteed terms and with DPF:			
Death, maturity and surrender benefits	82,699	-	82,699
Increase in liabilities	18,608	-	18,608
Short-term insurance contracts - life	18,154,592	(1,407,680)	16,746,912
	<u>58,556,426</u>	<u>(2,471,718)</u>	<u>56,084,708</u>
	2021		
	Gross \$'000	Reinsurance \$'000	Net \$'000
Benefits and reserves for life and annuity contracts			
Long-term insurance contracts with fixed and guaranteed terms and without DPF:			
Death, maturity and surrender benefits	19,535,355	(46,959)	19,488,396
Increase in liabilities	5,700,047	4,163	5,704,210
Long-term insurance contracts without fixed terms:			
Death, maturity and surrender benefits	18,003,419	(862,595)	17,140,824
Decrease in liabilities	4,494,577	-	4,494,577
Long-term insurance contracts with fixed and guaranteed terms and with DPF:			
Death, maturity and surrender benefits	25,308	-	25,308
Increase in liabilities	42,730	-	42,730
Short-term insurance contracts - life	15,333,103	(1,013,119)	14,319,984
	<u>63,134,539</u>	<u>(1,918,510)</u>	<u>61,216,029</u>

NCB Financial Group Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

11. Dividend Income

	The Group		The Company	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Subsidiaries	-	-	1,229,820	14,973,250
Other equity securities	2,498,263	2,315,752	-	-
	<u>2,498,263</u>	<u>2,315,752</u>	<u>1,229,820</u>	<u>14,973,250</u>

12. Staff Costs

	The Group		The Company	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Wages, salaries, allowances and benefits	38,921,083	35,964,959	4,090,140	3,389,941
Payroll taxes	3,680,669	2,428,156	250,493	554,107
Pension costs – defined contribution plans	1,233,167	1,156,452	31,960	28,823
Pension costs – defined benefit plans (Note 40 (a))	499,309	567,528	-	-
Staff profit share	2,965,397	3,173,139	-	-
Termination benefits	863,661	325,169	-	-
Other post-employment benefits (Note 40 (b))	942,475	885,139	-	-
	<u>49,105,761</u>	<u>44,500,542</u>	<u>4,372,593</u>	<u>3,972,871</u>

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.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2022

(expressed in Jamaican dollars unless otherwise indicated)

13. Credit Impairment Losses

	The Group		The Company	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Investment securities	(297,871)	237,294	(537)	441
Loans and advances (Note 21)	1,914,114	1,806,168	10,236	-
Premium	1,107,312	1,341,664	-	-
	<u>2,723,555</u>	<u>3,385,126</u>	<u>9,699</u>	<u>441</u>

14. Other Operating Expenses

	The Group		The Company	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Auditors' remuneration - current year	609,579	524,285	323,045	262,962
Auditors' remuneration - prior year	-	15,000	-	-
Credit card rebates	1,892,830	1,367,680	-	-
Insurance and premiums	1,246,668	1,146,305	2,597	2,756
Irrecoverable general consumption tax and asset tax	5,858,191	5,257,829	72,944	107,683
License and transaction processing fees	2,294,709	2,125,064	352,488	201,378
Marketing, customer care, advertising and donations	5,016,429	4,196,001	9,253	1,014
Operating lease rentals	381,489	147,450	-	-
Property, vehicle and ABM maintenance and utilities	10,392,614	8,352,956	133,543	78,864
Stationery	521,548	640,894	96	-
Technical, consultancy and professional fees	10,605,621	9,471,017	400,197	488,270
Travelling, courier and telecommunication	3,831,968	3,482,636	82,084	60,758
Management and royalty fees	854,782	854,105	553,870	579,242
Operational losses	636,414	739,231	-	-
Other	269,867	882,806	6,183	4,278
	<u>44,412,709</u>	<u>39,203,259</u>	<u>1,936,300</u>	<u>1,787,205</u>

NCB Financial Group Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

15. Taxation

	The Group		The Company	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Current:				
Income tax	9,142,965	7,587,818	-	-
Prior year over provision	(113,435)	91,604	-	-
Business levy and green funds levy	199,956	204,984	-	-
Deferred income tax (Note 30)	(3,283,297)	(1,364,479)	(2,182,620)	(3,198,298)
	<u>5,946,189</u>	<u>6,519,927</u>	<u>(2,182,620)</u>	<u>(3,198,298)</u>

Income tax is calculated at rates of 25% for the Jamaican life insurance subsidiary, 33 $\frac{1}{3}$ % 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	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Profit before tax	<u>45,869,034</u>	<u>26,595,533</u>	<u>(8,248,661)</u>	<u>367,234</u>
Tax calculated at actual tax rates	14,182,090	7,248,432	(2,749,553)	122,411
Income not subject to tax	(19,341,051)	(11,939,151)	-	-
Expenses not deductible for tax purposes	11,809,596	9,836,960	869,401	960,276
Effect of share of profit of associates included net of tax	(8,024)	1,658	-	-
Effect of change in tax rate applicable to life insurance subsidiary	(1,145,024)	(39,709)	-	-
Effect of different tax rates applicable to dividend income	391,080	(259,358)	(482,581)	(4,889,966)
Deferred tax not recognised	17,839	15,851	-	-
Prior year over provision	(113,435)	91,604	-	-
Business Levy	61,183	204,984	-	-
Other	91,935	1,358,656	180,113	608,981
Taxation expense	<u>5,946,189</u>	<u>6,519,927</u>	<u>(2,182,620)</u>	<u>(3,198,298)</u>

NCB Financial Group Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

15. Taxation (Continued)

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

	The Group		
	2022		
At the year end	Before Tax \$'000	Tax \$'000	After Tax \$'000
Currency translation gains	(3,191,404)	-	(3,191,404)
ECL and fair value gains on FVOCI investments, net of gains recycled to profit or loss	(62,482,434)	13,514,384	(48,968,050)
Remeasurement of post-employment benefit obligation	5,977,021	(1,380,910)	4,596,111
Other comprehensive income	(59,696,817)	12,133,474	(47,563,343)
Recyclable			13,514,384
Non-recyclable			(1,380,910)
Deferred income tax (Note 30)		<u>12,133,474</u>	
	The Group		
	2021		
At the year end	Before Tax \$'000	Tax \$'000	After Tax \$'000
Currency translation gains	1,406,148	-	1,406,148
ECL and fair value gains on FVOCI investments, net of gains recycled to profit or loss	(2,634,139)	523,804	(2,110,335)
Remeasurement of post-employment benefit obligation	1,086,814	(110,855)	975,959
Other comprehensive income	(141,177)	412,949	271,772
Recyclable			523,804
Non-recyclable			(110,855)
Deferred income tax (Note 30)		<u>412,949</u>	

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2022

(expressed in Jamaican dollars unless otherwise indicated)

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.

	2022	2021
Net profit attributable to stockholders of the parent (\$'000)	27,318,907	14,226,671
Weighted average number of ordinary stock units in issue ('000)	2,298,277	2,276,142
Basic and diluted earnings per stock unit (\$)	<u>11.89</u>	<u>6.25</u>

17. Cash in Hand and Balances at Central Banks

	The Group	
	2022	2021
	\$'000	\$'000
Cash in hand	21,597,939	26,190,731
Balances with central banks other than statutory reserves	<u>4,656,442</u>	<u>1,696,257</u>
Included in cash and cash equivalents	26,254,381	27,886,988
Statutory reserves with central banks – non-interest-bearing	<u>44,602,059</u>	<u>41,247,661</u>
	<u>70,856,440</u>	<u>69,134,649</u>

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.

NCB Financial Group Limited

Notes to the Financial Statements

September 30, 2022

(expressed in Jamaican dollars unless otherwise indicated)

18. Due from Banks

	The Group		The Company	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Placements with NCBJ	-	-	280,630	15,796,187
Items in course of collection from banks	(612,147)	102,334	-	-
Placements with banks	193,421,257	178,144,692	-	-
	192,809,110	178,247,026	280,630	15,796,187
Expected credit losses	(564,615)	(478,070)	-	-
Interest receivable	2,424,850	4,369,217	-	945
	194,669,345	182,138,173	280,630	15,797,132
Less: Placements pledged as collateral for letters of credit (Note 23)	(8,862,666)	(6,644,136)	-	-
	185,806,679	175,494,037	280,630	15,797,132

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	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Placements with NCBJ	-	-	280,630	15,761,981
Placements with other banks	185,266,378	174,957,382	-	-
Less: amounts restricted to the settlement of obligations under securitisation arrangements	(1,884,549)	(3,587,419)	-	-
	183,381,829	171,369,963	280,630	15,761,981

19. Derivative Financial Instruments

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

	The Group	
	2022	2021
	\$'000	\$'000
Assets		
Equity indexed options	874,471	767,441
Liabilities		
Equity indexed options	-	45,228

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19. Derivative Financial Instruments (Continued)

Derivatives are carried at fair value and carried 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 counterparties of replacing all their transactions with the Group with a fair value in their favour if the Group was to default. Derivative assets and liabilities on different transactions are only set off if the transactions 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.

Equity indexed options

The derivative liability represents the equity index option element of principal protected notes issued by the Group and is carried at fair value.

The embedded 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 \$19,799,000 (2021 – \$13,688,000) for the Group.

At September 30, 2022, the Group held \$9,017,130,000 (2021 – \$12,168,846,000) 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 \$Nil (2021 – \$Nil) 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 \$1,870,664,000 (2021 – \$4,677,979,000) which are regarded as cash equivalents for purposes of the statement of cash flows.

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21. Loans and Advances

	The Group		The Company	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Gross loans and advances, includes mortgage loans	591,262,070	534,926,825	50,166,303	-
Provision for credit losses	(13,713,686)	(15,493,835)	(10,007)	-
	577,548,384	519,432,990	50,156,296	-
Interest receivable	3,439,430	4,055,900	238,774	-
	580,987,814	523,488,890	50,395,070	-

The current portion of loans and advances amounted to \$38,343,743,000 (2021 – \$51,014,23,000) for the Group.

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

	The Group	
	2022	2021
	\$'000	\$'000
Balance at beginning of year	15,493,835	18,587,894
Provided during the year	3,304,321	2,840,284
Recoveries	(1,390,207)	(1,034,116)
Net charge to the income statement (Note 13)	1,914,114	1,806,168
Write-offs	(3,694,263)	(4,900,227)
Balance at end of year	13,713,686	15,493,835

The provision for credit losses at the end of the year includes \$4,784,056,000 (2021 - \$4,959,947,000) 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, 2022 was \$25,930,464,000 (2021 – \$32,524,649,000).

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

	The Group	
	2022	2021
	\$'000	\$'000
Specific provision	11,230,101	9,030,731
General provision	3,868,613	3,727,104
	15,098,714	12,757,835
Excess of regulatory provision over IFRS provision recognised in NCBJ reflected in non-distributable loan loss reserve (Note 44)	6,176,665	2,269,375

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22. Investment Securities

	The Group		The Company	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Investment Securities Classified as FVPL:				
Government of Jamaica debt securities	18,961,569	17,368,423	-	-
Other Government securities	79,296,930	86,497,949	-	-
Corporate debt securities	15,291,000	18,354,386	-	-
Quoted and unquoted equities	91,738,953	85,429,173	-	-
Collective Investment Schemes	2,073,047	1,803,733	-	-
Interest receivable	1,588,345	1,473,003	-	-
	<u>208,949,844</u>	<u>210,926,667</u>	<u>-</u>	<u>-</u>
Investment securities at FVOCI:				
Government of Jamaica debt securities	281,896,741	276,661,690	-	-
Other Government securities	107,988,174	82,955,842	-	-
Corporate debt securities	133,029,443	142,793,477	7,000,000	7,000,000
Interest receivable	7,600,774	6,233,501	126,192	126,191
	<u>530,515,132</u>	<u>508,644,510</u>	<u>7,126,192</u>	<u>7,126,191</u>
Investment securities at Amortised Cost:				
Government of Jamaica debt securities	38,009,311	41,356,904	-	-
Other Government Securities	161,524,295	119,639,950	-	-
Corporate Debt Securities	18,434,348	17,626,594	-	-
Interest receivable	3,087,021	3,255,895	-	-
	<u>221,054,975</u>	<u>181,879,343</u>	<u>-</u>	<u>-</u>
Expected credit losses	<u>(1,033,216)</u>	<u>(938,325)</u>	<u>-</u>	<u>(13)</u>
	<u>959,486,735</u>	<u>900,512,195</u>	<u>7,126,192</u>	<u>7,126,178</u>
Total investment securities, as above	959,486,735	900,512,195	7,126,192	7,126,178
Less: Pledged securities (Note 23)	<u>(247,752,315)</u>	<u>(216,657,117)</u>	<u>-</u>	<u>-</u>
Amount reported on the statement of financial position	<u>711,734,420</u>	<u>683,855,078</u>	<u>7,126,192</u>	<u>7,126,178</u>

The current portion of total investment securities amounted to \$146,350,664,000 (2021 - \$113,604,464,000) for the Group. Included in investment securities are debt securities with an original maturity of less than 90 days amounting to \$11,894,607,000 (2021 - \$7,190,324,000) 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	
	2022	2021
	\$'000	\$'000
Investment securities classified as FVOCI and amortised cost pledged as collateral for:		
Repurchase agreements	235,432,156	206,734,968
Clearing services	1,769,198	3,390,221
Investment securities held as security in respect of life insurance subsidiary	<u>10,550,961</u>	<u>6,531,928</u>
	247,752,315	216,657,117
Placements with banks pledged as collateral for letters of credit (Note 18)	<u>8,862,666</u>	<u>6,644,136</u>
	<u><u>256,614,981</u></u>	<u><u>223,301,253</u></u>

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

24. Investment in Associates

	The Group	
	2022	2021
	\$'000	\$'000
At the beginning of the year	5,950,188	6,955,109
Share of profits	732,513	340,289
Dividends received:		
Other	(100,235)	(180,395)
Movement in other reserves and exchange rate adjustments	<u>468,997</u>	<u>(1,164,815)</u>
At end of year	<u><u>7,051,463</u></u>	<u><u>5,950,188</u></u>

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24. Investment in Associates (Continued)

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

	RGM Limited \$'000	Royal Star Holdings \$'000	Other individually immaterial associates \$'000	Total \$'000
2022				
Current assets	2,297,533	9,051,681	376,791	11,726,005
Non-current assets	17,800,743	8,719,868	1,007,274	27,527,885
Current liabilities	584,035	3,907,689	144,552	4,636,276
Non-current liabilities	6,567,131	3,783,033	593,145	10,943,309
Revenue	3,476,893	6,867,424	695,742	11,040,059
Profit from continuing operations	492,638	2,140,794	(50,025)	2,583,407
Other comprehensive income	9,347	-	-	9,347
Total comprehensive income	<u>501,985</u>	<u>2,140,794</u>	<u>(50,025)</u>	<u>2,592,754</u>
Percentage ownership	<u>33.33%</u>	<u>26.32%</u>		
Net assets of the associate - 100%	<u>12,947,110</u>	<u>10,080,827</u>		
Group share of net assets	<u>4,315,272</u>	<u>2,653,274</u>		
	RGM Limited \$'000	Royal Star Holdings \$'000	Other individually immaterial associates \$'000	Total \$'000
2021				
Current assets	1,878,983	6,247,665	189,981	8,316,629
Non-current assets	17,384,988	6,822,394	900,653	25,108,035
Current liabilities	625,858	1,398,396	120,509	2,144,763
Non-current liabilities	6,681,635	4,492,435	507,648	11,681,718
Revenue	3,101,652	4,516,339	659,047	8,277,038
Profit from continuing operations	307,571	876,487	(15,170)	1,168,888
Other comprehensive income	7,419	-	-	7,419
Total comprehensive income	<u>314,990</u>	<u>876,487</u>	<u>(15,170)</u>	<u>1,176,307</u>
Percentage ownership	<u>33.33%</u>	<u>26.32%</u>		
Net assets of the associate - 100%	<u>11,956,478</u>	<u>7,179,228</u>		
Group share of net assets	<u>3,985,094</u>	<u>1,889,573</u>		

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25. Investment Properties

	The Group	
	2022	2021
	\$'000	\$'000
Balance at beginning of year	38,218,322	33,751,227
Additions	1,209,841	2,464,615
Disposals	(952,088)	(30,393)
Fair value gains (Note 8)	1,050,588	1,154,604
Foreign exchange adjustments	(814,246)	762,412
Re-classification to property, plant and equipment	308,214	2,234
Unit-linked adjustments	(307,044)	113,623
Balance at end of year	<u>38,713,587</u>	<u>38,218,322</u>
Income earned from the properties	1,554,929	1,401,607
Expenses incurred by the properties	<u>(1,388,594)</u>	<u>(1,204,860)</u>

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 valuers. 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 valuers' judgment 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 judgment 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. These valuations are sensitive to the aforementioned adjustments for the unobservable inputs, which inputs may result in the values realised, 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

	<u>The Group</u>	
	2022	2021
	\$'000	\$'000
Properties for development and sale	2,008,010	2,794,053

27. Reinsurance Assets

	<u>The Group</u>	
	2022	2021
	\$'000	\$'000
This represents the Group's net contractual rights under reinsurance contracts:		
Long-term insurance contracts:		
With fixed and guaranteed terms	576,359	564,599
Short-term insurance contracts:		
Claims reported and loss adjustment expenses (Note 39)	9,946,575	9,844,480
Group life	45	43
Claims incurred but not reported (Note 39)	3,209,091	1,529,264
Unearned premiums (Note 39)	16,580,787	14,697,611
	<u>29,736,498</u>	<u>26,071,398</u>
Total reinsurers' share of insurance liabilities	<u>30,312,857</u>	<u>26,635,997</u>
Current	25,501,693	21,716,360
Non-current	4,811,164	4,919,637
Total reinsurers' share of insurance liabilities	<u>30,312,857</u>	<u>26,635,997</u>

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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
	2022					
Net book value, at beginning of year	3,423,224	10,502,982	17,652,488	20,350,796	617,382	52,546,872
Additions	-	65,943	8,574,583	-	-	8,640,526
Disposals	-	-	(229,693)	-	-	(229,693)
Translation adjustments	-	(77,708)	296,138	-	(33,024)	185,406
Reclassification & adjustments	-	359,777	327,468	-	(20,340)	666,905
Amortisation charge	(57,842)	(1,961,734)	(4,682,057)	-	(418,354)	(7,119,987)
Net book value, at end of year	3,365,382	8,889,260	21,938,927	20,350,796	145,664	54,690,029
Cost	3,627,504	18,763,754	41,199,685	20,350,796	546,572	84,488,311
Accumulated amortisation	262,122	9,874,494	19,260,758	-	400,908	29,798,282
Closing net book value	3,365,382	8,889,260	21,938,927	20,350,796	145,664	54,690,029

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28. Intangible Assets (Continued)

	The Group					
	Trade name	Core deposit & other customer relationships	Computer software	Goodwill	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	2021					
Net book value, at beginning of year	3,481,066	12,457,637	16,484,775	20,350,796	244,206	53,018,480
Additions	-	-	4,946,857	-	9,517	4,956,374
Disposals	-	-	(104,255)	-	-	(104,255)
Translation adjustments	-	8,701	459,274	-	780,691	1,248,666
Amortisation charge	(57,842)	(1,963,356)	(4,134,163)	-	(417,032)	(6,572,393)
Net book value, at end of year	3,423,224	10,502,982	17,652,488	20,350,796	617,382	52,546,872
Cost	3,627,504	18,889,442	37,551,960	20,350,796	1,430,155	81,849,857
Accumulated amortisation	204,280	8,386,460	19,899,472	-	812,773	29,302,985
Closing net book value	3,423,224	10,502,982	17,652,488	20,350,796	617,382	52,546,872

Computer software for the Group at year end include items with a cost of \$5,461,945,000 (2021 - \$2,379,219,000) on which no amortisation has yet been charged as these software applications are in the process of implementation.

Impairment tests for goodwill

The Group determines whether goodwill is impaired at least on an annual basis or 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. 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.

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28. Intangible Assets (Continued)

The allocation of goodwill to the Group's cash generating units (CGUs) allocated fully to Guardian Holding Limited.

	The Group	
	2022	2021
	\$'000	\$'000
Guardian Holdings Limited:	20,350,796	20,350,796

The Group determines whether goodwill is impaired at least on an annual basis or 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. 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. No impairment was identified.

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the industry in which the CGU operates. Key assumptions used for value in use calculations:

Expenses ratio	31.7%
Claims ratio	69.9%
Policy acquisition expenses ratio	17.4%
Reinsurance rate	29.6%
Revenue growth rate	5.0%
Discount rate	11.3%

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29. Property, Plant and Equipment

	Freehold Land and Buildings and Leasehold Improvements \$'000	Motor Vehicles, Furniture & Equipment \$'000	Work-in- Progress \$'000	Total \$'000
Cost -				
At September 30, 2020	19,789,127	19,837,797	1,934,024	41,560,948
Translation adjustments	-	339,050	-	339,050
Additions	549,983	1,531,451	1,359,087	3,440,521
Disposals	(152,121)	(553,470)	(12,126)	(717,717)
Transfers	757,064	66,899	(823,963)	-
Exchange rate adjustments	(81,228)	(26,872)	(11,768)	(119,868)
At September 30, 2021	20,862,825	21,194,855	2,445,254	44,502,934
Translation adjustments	-	1,146,011	-	1,146,011
Additions	618,141	1,718,387	756,532	3,093,060
Disposals	(1,517,739)	(467,658)	44,914	(1,940,483)
Transfers	455,094	1,193	(456,287)	-
Exchange rate adjustments	(109,928)	(45,692)	(14,973)	(170,593)
At September 20, 2022	20,308,393	23,547,096	2,775,440	46,630,929
Accumulated Depreciation -				
At September 30, 2020	3,603,600	10,426,781	-	14,030,381
Charge for the year	619,539	2,118,032	-	2,737,571
Disposals	(40,745)	(453,722)	-	(494,467)
Reclassifications and adjustments	8,604	(481)	-	8,123
At September 30, 2021	4,190,998	12,090,610	-	16,281,608
Charge for the year	819,201	1,443,273	-	2,262,474
Disposals	(649,412)	(341,474)	-	(990,886)
Reclassifications and adjustments	-	(142)	-	(142)
At September 30, 2022	4,360,787	13,192,267	-	17,553,054
Net Book Value -				
September 30, 2022	15,947,606	10,354,829	2,775,440	29,077,875
September 30, 2021	16,671,827	9,104,245	2,445,254	28,221,326

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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 subsidiary, 33 $\frac{1}{3}$ % 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 which are not subject to income tax.

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

	The Group		The Company	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Deferred tax assets	(25,469,940)	(14,421,483)	(10,746,669)	(8,563,874)
Deferred tax liabilities	9,126,008	9,254,122	-	-
Net asset at end of year	<u>(16,343,932)</u>	<u>(5,167,361)</u>	<u>(10,746,669)</u>	<u>(8,563,874)</u>

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

	The Group		The Company	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Net asset at beginning of year	(927,161)	(3,389,933)	(8,563,874)	(5,366,278)
Deferred tax credited in the income statement (Note 15)	(3,283,297)	(1,364,479)	(2,182,620)	(3,198,297)
Deferred tax credited to other comprehensive income (Note 15)	(12,133,474)	(412,949)	(175)	701
Net asset at end of year	<u>(16,343,932)</u>	<u>(5,167,361)</u>	<u>(10,746,669)</u>	<u>(8,563,874)</u>

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

	The Group		The Company	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Deferred tax assets to be recovered after more than 12 months	(2,468,356)	(3,438,912)	-	-
Deferred tax liabilities to be settled after more than 12 months	<u>6,929,340</u>	<u>8,907,922</u>	<u>-</u>	<u>-</u>

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30. Deferred Income Taxes (Continued)

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

	The Group		The Company	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Deferred income tax assets:				
Property, plant and equipment	2,468,356	2,200,405	-	-
Investment securities classified as FVOCI	9,947,516	1,262,168	-	-
Credit impairment losses	184,691	632,234	-	149
Pensions and other post-retirement benefits	1,141,002	2,346,792	-	-
Interest payable	603,578	612,599	193,547	384,413
Unrealised foreign exchange losses	2,319,181	1,551,865	134,231	-
Unutilised tax losses	11,359,787	9,167,365	10,392,469	8,105,304
Other temporary differences	1,685,286	794,821	106,535	74,008
	<u>29,709,397</u>	<u>18,568,249</u>	<u>10,826,782</u>	<u>8,563,874</u>
Deferred income tax liabilities:				
Future distribution	-	367,983	-	-
Property, plant and equipment	5,912,656	6,507,538	-	-
Intangible assets	162,452	224,664	-	-
Investment securities at FVPL	2,647,185	2,028,468	-	-
Investment securities classified as FVOCI	130,232	859,864	-	-
Interest receivable	321,172	201,164	79,591	-
Unrealised foreign exchange gains	1,145,154	2,169,450	-	-
Credit Impairment Losses	86,434	9,168	-	-
Other temporary differences	2,960,180	1,032,589	522	-
	<u>13,365,465</u>	<u>13,400,888</u>	<u>80,113</u>	<u>-</u>
Net deferred tax asset	<u>(16,343,932)</u>	<u>(5,167,361)</u>	<u>(10,746,669)</u>	<u>(8,563,874)</u>

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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	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Property, plant and equipment	(325,447)	(510,147)	-	-
Intangible assets	(54,177)	(63,297)	-	-
Investment securities	159,629	545,481	-	-
Credit impairment losses	1,244,101	1,014,910	-	-
Pensions and other post-retirement benefits	(403,504)	(231,496)	-	-
Future distributions	-	300,977	-	-
Interest receivable	120,702	(13,744)	79,591	-
Interest payable	9,014	(656)	190,866	(48,428)
Accrued profit share	(17,280)	(17,047)	-	-
Accrued vacation leave	(27,891)	(53,476)	-	-
Unrealised foreign exchange gains and losses	(1,791,128)	813,751	(134,231)	-
Unutilised tax losses	(2,160,552)	(3,293,979)	(2,287,164)	(3,077,789)
Other temporary differences	(36,764)	144,244	(31,682)	(72,081)
	<u>(3,283,297)</u>	<u>(1,364,479)</u>	<u>(2,182,620)</u>	<u>(3,198,298)</u>

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

	The Group		The Company	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Unrealised gains on FVOCI	(11,596,696)	(1,995,100)	(175)	701
Realised fair value gains on sale and maturity of investments	1,004,700	1,525,718	-	-
Remeasurement of the post-employment benefit obligation	(1,541,478)	56,433	-	-
	<u>(12,133,474)</u>	<u>(412,949)</u>	<u>(175)</u>	<u>701</u>

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31. Other Assets

	The Group		The Company	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Due from merchants, financial institutions, clients and payment systems providers	14,226,718	10,597,310	1,570,841	123,338
Prepayments	6,845,862	5,883,191	1,584,002	1,260
Shares held for incentive	4,236,471	4,236,471	-	-
Due from Related Parties	-	-	4,518,066	-
Due from policyholders	27,314,468	19,575,815	-	-
Deferred acquisition costs	3,388,611	3,281,956	-	-
Repossessed assets	1,027,586	1,731,717	-	-
Other	9,225,975	8,856,846	574,290	811,446
	<u>66,265,691</u>	<u>54,163,306</u>	<u>8,247,199</u>	<u>936,044</u>
Less ECL on receivables	(4,197,189)	(5,335,993)	-	-
	<u>62,068,502</u>	<u>48,827,313</u>	<u>8,247,199</u>	<u>936,044</u>

The fair values of other assets approximate carrying values. The current portion of other assets for the Group is \$61,001,634,000 (2021 - \$48,195,118,000).

32. Due to Banks

	The Group		The Company	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Items in course of payment	4,019,801	1,851,752	-	-
Borrowings from other banks	32,985,643	21,205,612	17,901,432	16,237,647
Deposits from banks	139,591	635,476	-	-
Other	-	1,120	-	-
	<u>37,145,035</u>	<u>23,693,960</u>	<u>17,901,432</u>	<u>16,237,647</u>
Interest payable	356,957	410,399	738,324	132,329
	<u>37,501,992</u>	<u>24,104,359</u>	<u>18,639,756</u>	<u>16,369,976</u>

The current portion of due to banks is \$23,032,674,000 (2021 - \$10,661,285,000)

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 2.77% – 5.96% per annum.

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

	The Group	
	2022	2021
	\$'000	\$'000
Total due to banks	37,501,992	24,104,359
Less: amounts with original maturities of greater than 90 days	(17,482,177)	(8,722,245)
	<u>20,019,815</u>	<u>15,382,114</u>

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33. Obligations Under Securitisation Arrangements

	The Group	
	2022	2021
	\$'000	\$'000
Diversified payment rights		
Principal outstanding – US\$250,000,000 (2022 – US\$250,000,000)	38,004,775	36,586,600
Merchant voucher receivables		
Principal outstanding – US\$254,212,000 (2022 – US\$406,136,000)	61,740,497	26,680,223
	99,745,272	63,266,823
Unamortised transaction fees	(1,182,065)	(606,146)
	98,563,207	62,660,677
Interest payable	522,451	426,540
Net liability	<u>99,085,658</u>	<u>63,087,217</u>

The current portion of obligations under securitisation arrangements amounted to \$3,243,477,000 (2021 – \$11,147,536,000).

Diversified Payment Rights

NCBJ has entered into a structured financing transaction 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 (“JDPR”) (Note 35), which then issues notes which are secured by the DPR flows. The cash flows generated by the DPRs are used by JDPR 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 September 30, 2020, NCBJ raised US\$250 million through the DPR Securitisation (Series 2020-1 Notes). The transaction was structured with an interest-only period of 3.25-year (13 quarters) and thereafter quarterly principal amortisation on a straight line basis, beginning March 15, 2024 to final maturity on September 15, 2030. Interest is due and payable on a quarterly basis calculated at a rate of 5.25% beginning December 15, 2020.

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33. Obligations Under Securitisation Arrangements (Continued)

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 ("JMVR"), which then issues notes which are secured by the MVR flows. The cash flows generated by the MVR are used by JMVR 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 (Series 2015-1 Notes). The transaction was structured on a mortgage-style amortisation basis with an interest-only period of twenty-eight months and thereafter quarterly principal amortisation, beginning October 6, 2017 to final maturity on July 8, 2022. Interest is due and payable on a quarterly basis calculated at a rate of 5.875% beginning July 7, 2015. The Series 2015-1 Notes were fully repaid on July 8, 2022.

On November 21, 2016, NCBJ raised an additional US\$150 million through the MVR securitisation transaction (Series 2016-1 Notes). 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, 2021 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, 2021.

On August 30, 2022, NCBJ raised an additional US\$300 million through the MVR securitisation transaction (Series 2022-1 Notes). The transaction was structured on a mortgage-style amortisation basis with an interest-only period of thirty-nine months and thereafter quarterly principal amortisation, beginning April 7, 2026 to final maturity on October 7, 2032. Interest is due and payable on a quarterly basis calculated at a rate of 6.12% beginning October 7, 2022.

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34. Other Borrowed Funds

	The Group		The Company	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
(a) Development Bank of Jamaica	5,787,155	4,322,009	-	-
(b) Corporate notes	131,390,449	124,369,688	69,653,005	78,165,323
(c) National Housing Trust	3,857,865	1,220,563	-	-
(d) Other	11,862,700	6,659,719	11,401,431	6,585,588
	<u>152,898,169</u>	<u>136,571,979</u>	<u>81,054,436</u>	<u>84,750,911</u>
Unamortised transaction fees	(749,722)	(1,060,896)	(546,945)	(709,290)
Interest payable	1,123,782	1,461,360	308,833	891,574
	<u>153,272,229</u>	<u>136,972,443</u>	<u>80,816,324</u>	<u>84,933,195</u>

The current portion of other borrowed funds amounted to \$30,228,604,000 (2021 – \$34,044,640,000) for the Group and \$7,344,574,000 (2021 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) 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 2021 and 2025. 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.
- (c) 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%.
- (d) On March 31, 2022, NCB Global Holdings Limited extended an unsecured loan of US\$20 million to NCB Financial Group Limited. Interest is due and payable on a quarterly basis calculated at rate of 6.76% per annum beginning December 31, 2022. Principal is due and payable at maturity on March 31, 2023.

On March 31, 2022, NCB Global Holdings Limited extended an unsecured loan of US\$55 million to NCB Financial Group Limited. Interest is due and payable on a quarterly basis calculated at rate of 7.35% per annum beginning December 31, 2022. Principal is due and payable at maturity on March 31, 2025.

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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(f).

Consolidated Structured Entities

Securitisation Vehicles

NCBJ uses securitisation as a source of financing and a means of risk transfer. Securitisation of its DPR and MVR (Note 33) is conducted through structured entities, JDPR and JMVR, 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 3, 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.

	<u>The Group</u>	
	<u>2022</u>	<u>2021</u>
	<u>\$'000</u>	<u>\$'000</u>
Total assets of the Unit Trust	34,840,666	34,751,198
The Group's interest – Carrying value of units held	165,601	155,183
Maximum exposure to loss	165,601	155,183
Liability to the Unit Trust in relation to investment in repurchase obligations (included in repurchase obligations on the consolidated statement of financial position)	190,000	1,714,849
Total income from the Group's interests	<u>750,258</u>	<u>755,369</u>

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

	<u>The Group</u>	
	<u>2022</u>	<u>2021</u>
	<u>\$'000</u>	<u>\$'000</u>
Opening balance	33,699,975	27,572,914
Share of net income	370,150	417,875
Unrealised losses	(1,712,639)	(311,280)
Net change in mutual fund holder balances	388,281	5,472,263
Distributions	(535,108)	(449,480)
Exchange rate adjustment	1,377,082	997,683
Balance at end of year	<u>33,587,741</u>	<u>33,699,975</u>

37. Investment Contract Liabilities

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

	<u>The Group</u>	
	<u>2022</u>	<u>2021</u>
	<u>\$'000</u>	<u>\$'000</u>
The movements in the liabilities arising from investment contracts are summarized below:		
Opening balance	43,772,829	41,682,306
Premiums received	3,873,279	4,123,476
Fees deducted from account balances	(341,227)	(389,762)
Account balances paid on surrender and other terminations in the year	(3,703,535)	(3,509,787)
Interest credited through income	1,342,692	1,211,672
Other movements	(169,722)	(224,794)
Exchange rate adjustments	1,401,966	879,718
Balance at end of year	<u>46,176,282</u>	<u>43,772,829</u>

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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.

	The Group	
	2022	2021
	\$'000	\$'000
Instruments:		
Government of Jamaica securities	6,980,925	6,616,234
Equity securities and unit trust	5,695,176	6,433,717
Short term securities	13,705	1,169,589
Investment property	380,830	172,278
	<u>13,070,636</u>	<u>14,391,818</u>
Other assets	1,366,128	1,027,615
Balance at end of year	<u>14,436,764</u>	<u>15,419,433</u>

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).

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39. Liabilities under Annuity and Insurance Contracts (Continued)

Liabilities under Annuity and Insurance Contracts comprise the following:

	<u>The Group</u>	
	2022	2021
	\$'000	\$'000
Liabilities under life and health insurance and annuity contracts	385,081,090	384,443,163
Liabilities under general insurance contracts	52,094,320	48,613,635
	<u>437,175,410</u>	<u>433,056,798</u>

Insurance Contracts

Liabilities under insurance contracts comprise the following:

	<u>The Group</u>	
	2022	2021
	\$'000	\$'000
Long-term insurance contracts:		
With fixed and guaranteed terms and without DPF	238,090,670	235,016,961
With fixed and guaranteed terms and with DPF	1,498,190	1,587,637
Without fixed terms	126,673,652	130,330,085
	<u>366,262,512</u>	<u>366,934,683</u>
Participating policyholders' share of the surplus from long-term insurance business	11,798,659	10,945,522
	<u>378,061,171</u>	<u>377,880,205</u>
Short-term insurance contracts:		
Property and casualty claims reported and loss adjustment expenses	21,502,607	20,480,110
Property and casualty claims incurred but not reported	6,395,580	4,922,088
Property and casualty unearned premiums	29,102,396	27,547,993
Group life	2,113,656	2,226,402
	<u>59,114,239</u>	<u>55,176,593</u>
Total insurance liabilities	<u>437,175,410</u>	<u>433,056,798</u>

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39. Liabilities under Annuity and Insurance Contracts (Continued)

	The Group	
	2022	2021
	\$'000	\$'000
Current	48,896,936	53,682,935
Non-current	388,278,474	379,373,863
Total gross insurance liabilities	437,175,410	433,056,798

Movements in long term insurance contracts

	The Group	
	2022	2021
	\$'000	\$'000
Long-term insurance contracts with fixed and guaranteed terms and without DPF		
At beginning of year	235,016,961	201,753,905
Exchange rate adjustments	7,928,666	13,874,654
Premiums received (net)	2,450,885	11,531,163
Claims and benefits settled in the year	(21,791,227)	(21,916,988)
Accretion of interest	885,118	6,471,916
Increase in liabilities	17,503,363	12,729,234
Changes in assumptions	(18,171,909)	(2,088,527)
Normal changes	-	(1,386,226)
Other movement	14,268,813	14,047,830
At end of year	238,090,670	235,016,961

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39. Liabilities under Annuity and Insurance Contracts (Continued)

Liabilities under Life Insurance and Annuity Contracts (continued) *Insurance Contracts*

	The Group	
	2022	2021
	\$'000	\$'000
Long-term insurance contracts with fixed and guaranteed terms and with DPF		
At beginning of year	1,587,637	1,764,124
Exchange rate adjustments	43,832	(14,447)
Changes in assumptions	(64,642)	(85,900)
Normal changes	(68,637)	(76,140)
At end of year	<u>1,498,190</u>	<u>1,587,637</u>

	The Group	
	2022	2021
	\$'000	\$'000
Long-term insurance contracts without fixed terms		
At beginning of year	130,330,085	140,170,082
Exchange rate adjustments	5,283,801	7,584,896
Premiums received	4,087	911
Claims and benefits settled in the year	(17,457,551)	(12,253,854)
Increase in liabilities	18,857,119	12,909,169
Changes in assumptions	(7,281,128)	(4,090,807)
Normal changes	-	11,594,308
Other changes	(3,062,761)	(25,584,620)
At end of year	<u>126,673,652</u>	<u>130,330,085</u>

	The Group	
	2022	2021
	\$'000	\$'000
Participating policyholders' share of the surplus from long-term insurance business		
At beginning of year	10,945,522	10,182,436
Exchange rate adjustments	447,267	368,444
Surplus/Deficit arising from operations	458,703	523,884
Other movements	(52,833)	(129,242)
At end of year	<u>11,798,659</u>	<u>10,945,522</u>

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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 computation of policyholders' liabilities takes into account projected net investment income on assets supporting policyholders' liabilities and income expected to be earned or foregone on reinvestment or financing of mismatched cash flows. In the absence of robust market information, long-term yields are determined using recent asset returns, current market expectations and relevant regulatory guidelines. Other information, such as macro-economic data and projections, is considered where available.

The following table summarises the rates of return used for the valuation of policyholders' liabilities:

	2022	2021
Trinidad & Tobago	3.3% - 7.0%	3.48%-6.65%
Jamaica	8% - 12.6%	6.7%-11.4%
Dutch Caribbean	4.37% - 5.34%	3%-4%

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.

Policy maintenance expense and inflation

Amounts are included in policyholders' liabilities to provide for the future costs of administering policies in force. The expense base is determined from a review of current, recent and expected Group expense levels and allowance is made for future expense inflation.

The inflation rates assumed are summarised in the following table.

	2022	2021
Trinidad & Tobago	2.0%	3.5%
Jamaica	4% - 4.5%	4%-4.5%
Dutch Caribbean	1%	N/A

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:

	The Group	
	2022	2021
	\$'000	\$'000
For the Trinidadian life insurance subsidiary:		
Changes in expense assumptions	(7,634,525)	(1,464,600)
Changes in lapse assumptions	519,890	-
Changes in investment returns	(1,719,187)	(3,665,297)
Other assumptions	(1,149,286)	(721,389)
Decrease in liabilities	<u>(9,983,108)</u>	<u>(5,851,286)</u>
For the Jamaican life insurance subsidiary:		
Changes in expense assumptions	(847,367)	118,807
Changes in lapse assumptions	(50,034)	(181,519)
Changes in investment returns	(4,911,208)	1,167,832
Other assumptions	(2,169,378)	(1,519,069)
Decrease in liabilities	<u>(7,977,987)</u>	<u>(413,949)</u>

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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.

	The Group			
	Change in variable	Change in liability	Change in variable	Change in liability
	2022	2021	2021	2021
	%	\$'000	%	\$'000
Long-term insurance contracts with fixed and guaranteed terms and without DPF:				
For the Trinidadian life insurance subsidiary:				
Worsening of mortality	+10.0%	930,817	+ 10.0%	734,818
Improvement of annuitant mortality	+0.5%	872,294	+0.5%	823,125
Lowering of investment returns	-1.0%	4,867,745	-1.0%	4,900,461
Worsening of base renewal expense level	+5.0%	185,640	+5.0%	237,809
Worsening of expense inflation rate	+1.0%	349,152	+1.0%	642,799
For the Jamaican life insurance subsidiary:				
Worsening of mortality	+10.0%	1,076,854	+10.0%	1,537,724
Lowering of investment returns	-2.0%	7,338,274	-2.0%	11,409,840
Worsening of base renewal expense level	+5.0%	401,015	+5.0%	509,794
Worsening of expense inflation rate	+1.0%	655,338	+1.0%	1,053,168
For the Dutch Caribbean life insurance subsidiary:				
Worsening of mortality	+10.0%	(7,902)	+10.0%	310,326
Improvement of annuitant mortality	+10.0%	395,167	+10.0%	470,673
Lowering of investment returns	-10.0%	(174,328)	-10.0%	14,881
Worsening of base renewal expense level	+10.0%	(372,002)	+10.0%	49,306

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39. Liabilities under Annuity and Insurance Contracts (Continued)

Liabilities under Life Insurance and Annuity Contracts (continued)

Sensitivity analysis (continued)

	The Group			
	Change in variable	Change in liability	Change in variable	Change in liability
	2022	2021	2021	2021
	%	\$'000	%	\$'000
Long-term insurance contracts with fixed and guaranteed terms and with DPF:				
For the Trinidadian life insurance subsidiary:				
Worsening of mortality	+10.0%	7,677	+ 10.0%	6,963
Lowering of investment returns	-1.0%	125,265	-1.0%	140,477
Worsening of base renewal expense level	+5.0%	1,422	+5.0%	2,842
Worsening of expense inflation rate	+1.0%	2,077	+1.0%	6,269
For the Jamaican life insurance subsidiary:				
Worsening of mortality	+10.0%	6,141	+10.0%	5,727
Lowering of investment returns	-2.0%	43,080	-2.0%	52,690
Worsening of base renewal expense level	+5.0%	2,935	+5.0%	3,384
Worsening of expense inflation rate	+1.0%	3,793	+1.0%	5,076

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39. Liabilities under Annuity and Insurance Contracts (Continued)

Liabilities under Life Insurance and Annuity Contracts (continued)

Sensitivity analysis (continued)

	The Group			
	Change in variable	Change in liability	Change in variable	Change in liability
	2022	2021	2021	2021
	%	\$'000	%	\$'000
Long-term insurance contracts without fixed terms:				
For the Trinidadian life insurance subsidiary:				
Worsening of mortality	+ 10.0%	1,581,346	+ 10.0%	1,490,349
Improvement of annuitant mortality	+5.0%	520,658	+5.0%	853,428
Lowering of investment returns	-1.0%	5,210,169	-1.0%	7,805,476
Worsening of base renewal expense level	+5.0%	680,378	+5.0%	1,184,926
Worsening of expense inflation rate	+1.0%	1,096,046	+1.0%	1,765,208
For the Dutch Caribbean life insurance subsidiary:				
Worsening of mortality	+10.0%	1,175,702	+10.0%	804,274
Improvement of annuitant mortality	+5.0%	642,288	+10.0%	807,073
Lowering of investment returns	-1.0%	4,529,927	-10.0%	6,864,564
Worsening of base renewal expense level	+5.0%	1,337,973	+10.0%	752,213

NCB Financial Group Limited

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39. Liabilities under Annuity and Insurance Contracts (Continued)

Liabilities under Short Term Contracts

	The Group	
	2022	2021
	\$'000	\$'000
Gross:		
Claims outstanding	30,011,841	27,628,580
Unearned premiums	29,271,405	27,547,994
	<u>59,283,246</u>	<u>55,176,574</u>
Reinsurance ceded		
Claims outstanding (Note 27)	(13,155,733)	(11,373,766)
Unearned premiums (Note 27)	(16,580,787)	(14,697,632)
	<u>(29,736,520)</u>	<u>(26,071,398)</u>
Net:		
Claims outstanding	16,856,108	16,254,814
Unearned premiums	12,690,618	12,850,362
	<u>29,546,726</u>	<u>29,105,176</u>

NCB Financial Group Limited

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(expressed in Jamaican dollars unless otherwise indicated)

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:

	The Group			The Group		
	2022			2021		
	Gross \$'000	Reinsurance \$'000	Net \$'000	Gross \$'000	Reinsurance \$'000	Net \$'000
Notified claims	20,480,112	(9,844,480)	10,635,632	18,310,360	(9,706,469)	8,603,891
Claims incurred but not reported	4,922,088	(1,529,265)	3,392,823	6,825,966	(3,889,819)	2,936,147
Balance at beginning of year	25,402,200	(11,373,745)	14,028,455	25,136,326	(13,596,288)	11,540,038
Exchange rate adjustment	(1,112,583)	846,814	(265,769)	1,059,563	(574,857)	484,706
Claims incurred	(67,548,770)	44,628,804	(22,919,966)	(28,169,188)	8,397,841	(19,771,347)
Claims paid	71,157,340	(47,257,539)	23,899,801	27,375,499	(5,600,441)	21,775,058
Balance at end of year	<u>27,898,187</u>	<u>(13,155,666)</u>	<u>14,742,521</u>	<u>25,402,200</u>	<u>(11,373,745)</u>	<u>14,028,455</u>
Comprising:						
Notified claims	21,502,607	(9,946,575)	11,556,032	20,480,112	(9,844,480)	10,635,632
Claims incurred but not reported	6,395,580	(3,209,091)	3,186,489	4,922,088	(1,529,265)	3,392,823
	<u>27,898,187</u>	<u>(13,155,666)</u>	<u>14,742,521</u>	<u>25,402,200</u>	<u>(11,373,745)</u>	<u>14,028,455</u>

NCB Financial Group Limited

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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 method, 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 method is a combination of the Paid/Incurred Loss Development method 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:

	The Group			The Group		
	2022			2021		
	Gross \$'000	Reinsurance \$'000	Net \$'000	Gross \$'000	Reinsurance \$'000	Net \$'000
Balance at beginning of year	27,547,994	(14,697,632)	12,850,362	24,921,601	(12,394,689)	12,526,912
Exchange rate adjustments	691,375	(293,929)	397,446	875,631	(250,185)	625,446
Net increase/(release) in the period	1,032,036	(1,589,226)	(557,190)	1,750,762	(2,052,758)	(301,996)
Balance at end of year	29,271,405	(16,580,787)	12,690,618	27,547,994	(14,697,632)	12,850,362
Comprising, by type of business:						
Liability insurance contracts	1,666,737	(828,537)	838,200	1,596,596	(729,632)	866,964
Motor insurance contracts	4,781,360	(366,267)	4,415,093	4,566,231	(358,525)	4,207,706
Pecuniary loss insurance contracts	95,461	(42,289)	53,172	89,805	(44,620)	45,185
Property insurance contracts	18,575,250	(14,403,281)	4,171,969	17,271,604	(13,100,406)	4,171,198
Health insurance contracts	2,421,714	(133,032)	2,288,682	2,388,723	(132,018)	2,256,705
Marine insurance contracts	1,526,955	(772,317)	754,638	1,440,869	(294,078)	1,146,791
Personal accident insurance contracts	203,928	(35,064)	168,864	194,166	(38,353)	155,813
	29,271,405	(16,580,787)	12,690,618	27,547,994	(14,697,632)	12,850,362

NCB Financial Group Limited

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39. Liabilities under Insurance and Annuity Contracts (Continued)

Liabilities under Short Term Contracts (continued)

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

	The Group			The Group		
	2022			2021		
	Gross \$'000	Reinsurance \$'000	Net \$'000	Gross \$'000	Reinsurance \$'000	Net \$'000
Balance at beginning of year	2,226,402	(43)	2,226,359	1,147,671	-	1,147,671
On acquisition of subsidiary	-	-	-	1,312,735	-	1,312,735
Claims settled during the year	(1,616,726)	28,878	(1,587,848)	(1,786,792)	52,668	(1,734,124)
Exchange rate adjustment	35,547	(2)	35,545	(38,906)	-	(38,906)
Increase in liabilities	1,468,431	(28,900)	1,439,531	1,591,694	(52,711)	1,538,983
Balance at end of year	2,113,654	(67)	2,113,587	2,226,402	(43)	2,226,359

40. Post-employment Benefits

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

	The Group	
	2022	2021
	\$'000	\$'000
Pension schemes	(1,712,592)	(242,061)
Other post-employment benefits	5,804,414	9,726,626
	4,091,822	9,484,565

The amounts recognised in the income statement are as follows:

	The Group	
	2022	2021
	\$'000	\$'000
Pension schemes (Note 12)	499,309	567,528
Other post-employment benefits (Note 12)	942,475	885,139
	1,441,784	1,452,667

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

	The Group	
	2022	2021
	\$'000	\$'000
Pension schemes	1,275,544	627,897
Other post-employment benefits	4,450,876	409,235
	5,726,420	1,037,132

NCB Financial Group Limited

Notes to the Financial Statements

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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 NCBJ 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 in order to retain the tax exempt status of the fund.

National Commercial Bank Staff Pension Fund 1999

This is a defined contribution scheme which is funded by payments from employees and by the employers of 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 \$498,922,000 (2021 – \$503,546,000).

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 is established. Responsibility for the governance of the plans, including investment strategies, lies with the Board of Trustees/Foundation. Contribution to the plans for the year was \$508,350,000 (2021 - \$574,124,000)

NCB Financial Group Limited

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40. Post-employment Benefits (Continued)

(a) Pension schemes (continued)

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

	2022		2021	
	NCBJ \$'000	GHL \$'000	NCBJ \$'000	GHL \$'000
Present value of funded obligations	25,504,708	19,866,885	31,904,868	21,127,639
Fair value of plan assets	(29,896,611)	(21,579,477)	(35,159,398)	(21,369,700)
(Over)/under – funded obligations	(4,391,903)	(1,712,592)	(3,254,530)	(242,061)
Limitation on pension assets	4,391,903	-	3,254,530	-
	-	(1,712,592)	-	(242,061)

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, 2022 for the Bank and GHL schemes.

The movement in the defined benefit obligation is as follows:

	2022		2021	
	NCBJ \$'000	GHL \$'000	NCBJ \$'000	GHL \$'000
At beginning of year	31,904,868	21,127,639	31,243,758	20,556,591
Exchange	-	839,402	-	738,576
Employee's contributions	-	35,307	-	28,742
Service cost	-	505,608	-	533,059
Interest cost	2,777,937	1,130,456	2,720,995	1,039,307
Remeasurements:				
Experience (gains)/losses	(345,690)	(464,860)	(114,255)	383,818
(Gains)/loss from changes in financial assumptions	(6,754,576)	(2,425,459)	75,329	(763,341)
Demographic assumptions	-	26,592	-	(515,011)
Benefits paid	(2,077,831)	(907,800)	(2,020,959)	(874,102)
At end of year	25,504,708	19,866,885	31,904,868	21,127,639

NCB Financial Group Limited

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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:

	2022		2021	
	NCBJ \$'000	GHL \$'000	NCBJ \$'000	GHL \$'000
At beginning of year	35,159,398	21,369,700	33,706,365	20,079,765
Exchange	-	828,010	-	740,260
Interest on plan assets	3,070,844	1,171,542	2,942,630	1,026,595
Remeasurement – return on plan assets, excluding amounts included in interest on plan assets.	(6,255,800)	(1,588,182)	531,362	(266,638)
Contributions	-	741,018	-	698,591
Administration fees	-	(34,788)	-	(21,757)
Benefits paid	(2,077,831)	(907,823)	(2,020,959)	(887,116)
At end of year	<u>29,896,611</u>	<u>21,579,477</u>	<u>35,159,398</u>	<u>21,369,700</u>

The amounts recognised in the income statement are as follows:

	2022	2021
	GHL \$'000	GHL \$'000
Current service cost	505,608	533,059
Administration fees	34,787	21,757
Net interest expense	(41,086)	12,712
Total, included in staff costs	<u>499,309</u>	<u>567,528</u>

NCB Financial Group Limited

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40. Post-employment Benefits (Continued)

(a) Pension schemes (continued)

The amounts recognised in other comprehensive income are as follows:

	2022		2021	
	NCBJ \$'000	GHL \$'000	NCBJ \$'000	GHL \$'000
(Gain)/loss on present value of funded obligations	(7,100,266)	2,863,726	(38,926)	894,535
Loss/(gain) on fair value of plan assets	6,255,800	(1,588,182)	(531,362)	(266,638)
Change in effect of asset ceiling	844,466	-	570,288	-
Net loss	-	1,275,544	-	627,897

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

	2022		2021	
	\$'000	%	\$'000	%
Debt securities	16,556,118	55.38	19,845,203	56.44
Equity securities	10,085,254	33.73	12,554,233	35.71
Real estate	2,711,402	9.07	2,580,827	7.34
Real estate and other	543,837	1.82	179,136	0.51
	29,896,611	100.00	35,159,399	100.00

These plan assets included:

- Ordinary stock units of the Company with a fair value of \$7,298,705,000 (2021 – \$10,217,302,000).
- Repurchase obligations, promissory notes and lease obligations of the Group aggregating \$82,831,000 (2021 – \$27,446,000).
- Properties occupied by the Group with a fair value of \$677,900,000 (2021 - \$534,150,000).

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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:

	2022		2021	
	\$'000	%	\$'000	%
Debt securities	10,376,033	48.08%	12,178,540	56.99%
Equity securities	4,161,055	19.28%	3,535,232	16.54%
Real estate and other	7,042,389	32.64%	5,655,929	26.47%
	<u>21,579,477</u>	<u>100.00%</u>	<u>21,369,701</u>	<u>100.00%</u>

Expected contributions to NCBJ's and GHL's defined benefit pension schemes for the year ending September 30, 2022 are nil and \$608,629,000 respectively.

The principal actuarial assumptions used are as follows:

	2022		2021	
	NCBJ	GHL	NCBJ	GHL
Discount rate	11.50%	-	9.00%	-
Future salary increases	6.00%	-	7.00%	-
Future pension increases	5.00%	-	5.00%	-

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, 2022 is 9.5 years (2021 – 11.4 years) for NCBJ's defined benefit scheme and 15 years for the GHL scheme.

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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

	Change in Assumption	Increase/(decrease) in defined benefit obligation	
		Increase in Assumption	Decrease in Assumption
		\$'000	\$'000
Discount rate	1%	(2,021,077)	2,357,440
Future salary increases	1%	48,372	(46,754)
Future pension increases	1%	2,276,226	(1,980,487)
Life expectancy	1 year	682,000	(696,000)

GHL

	Change in Assumption	Increase/(decrease) in defined benefit obligation	
		Increase in Assumption	Decrease in Assumption
		\$'000	\$'000
Discount rate	1%	(1,978,365)	2,441,442
Future salary increases	1%	463,303	(408,288)
Life expectancy	1 year	437,093	(452,805)

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 2.0 percentage points above CPI per year (2021 – 2.0 percentage points above CPI).

The average duration of the other post-employment benefits obligation at September 30, 2022 is 16.2 years for the NCBJ, and between 14.8 & 22.7 years for GHL.

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

	The Group	
	2022	2021
	\$'000	\$'000
Present value of unfunded obligations	5,804,414	9,726,626

The movement in the defined benefit obligation is as follows:

	The Group	
	2022	2021
	\$'000	\$'000
At beginning of the year	9,726,626	9,254,324
Curtailment	35,864	19,679
Employer contributions	(129,241)	(106,290)
Service costs	264,176	279,440
Interest cost	733,925	684,504
Remeasurements:		
Experience gains	(600,635)	(518,149)
Demographic assumptions	(1,494,245)	(1,082,661)
(Gain) / loss from changes in financial assumptions	(2,749,092)	1,191,573
Exchange movement	108,526	102,689
Benefits paid	(91,490)	(98,483)
At end of year	5,804,414	9,726,626

The amounts recognised in the income statement are as follows:

	The Group	
	2022	2021
	\$'000	\$'000
Service cost	208,550	685,357
Net interest expense	733,925	199,782
Total, included in staff costs (Note 12)	942,475	885,139

NCB Financial Group Limited

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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%	(444,917)	558,576
Medical cost inflation	1%	570,680	(459,768)
Life expectancy	1 year	83,920	(83,920)

GHL	Increase/(decrease) in obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
		\$'000	\$'000
Discount rate	1%	(334,513)	420,817
Medical cost inflation	1%	424,497	(342,708)
Life expectancy	1 year	(4,944)	4,344

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	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Accrued staff benefits	6,251,473	4,884,861	693,957	628,805
Due to customers, merchants and clients	17,026,815	15,564,068	-	-
Accrued other operating expenses	12,593,023	12,429,104	1,985,823	1,563,273
Due to reinsurers	15,840,544	14,651,085	-	-
Due to Governments	1,502,607	1,322,290	-	-
Due to related party	-	-	3,410,405	-
Other	18,442,925	10,644,599	-	571,797
	<u>71,657,387</u>	<u>59,496,007</u>	<u>6,090,185</u>	<u>2,763,875</u>

42. Share Capital

	The Group		The Company	
	2022	2021	2022	2021
	\$'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	<u>(26,652,675)</u>	<u>(27,198,690)</u>	<u>(11,232,294)</u>	<u>(11,778,309)</u>
	<u>127,174,655</u>	<u>126,628,640</u>	<u>142,595,036</u>	<u>142,049,021</u>

As at September 30, 2022 entities within the Group and the Company held NCBFG ordinary stock units totalling 168,435,437 (2021: 172,097,779) and 75,339,470 (2021: 79,001,812), respectively. These shares are held by the NCB Employee Share Scheme, a custodian appointed by NCB Financial Group Limited and entities controlled by Guardian Holdings Limited and the Company reports them as Treasury Shares.

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, 2022, the scheme held 1,255,751 (2021: 1,255,751) stock units of the Company's ordinary stock.

As at September 30, 2022 a total of 26,066,735 (2021: 26,066,735) stock units of the Company's ordinary stock were held by a custodian on behalf of the Company and one of its subsidiaries. The stock units are held for distribution as incentives.

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43. Fair Value and Capital Reserves

	The Group	
	2022	2021
	\$'000	\$'000
Fair value reserve	(37,080,156)	4,030,261
Capital reserve (excluding scheme of arrangement)	10,135,074	13,331,146
	<u>(26,945,082)</u>	<u>17,361,407</u>
Reserves from the scheme of arrangement	(147,034,858)	(147,034,858)
	<u>(173,979,940)</u>	<u>(129,673,451)</u>
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	1,095,381	1,095,381
Unrealised –		
Translation reserve	7,476,720	10,668,078
Surplus on revaluation of property, plant and equipment	448,821	456,559
Other	922,994	919,970
	<u>10,135,074</u>	<u>13,331,146</u>
Reserve from the scheme of arrangement	(147,034,858)	(147,034,858)
	<u>(136,899,784)</u>	<u>(133,703,712)</u>

44. 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).

45. 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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46. Retained Earnings Reserve

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

47. Cash Flows from Operating Activities

	Note	The Group	
		2022 \$'000	2021 \$'000
Net profit		39,922,845	20,075,606
Adjustments to reconcile net profit to net cash flow provided by operating activities:			
Depreciation	29	1,772,817	2,737,571
Amortisation of intangible assets	28	7,119,987	6,572,393
Credit impairment losses	13	2,723,555	3,385,126
Share of after tax profits of associates	24	(732,513)	(340,289)
Interest income	6/8	(84,923,549)	(74,574,816)
Interest expense	6	25,724,687	25,947,849
Income tax expense	15	5,946,189	6,519,927
Unrealised exchange gains on securitisation arrangements		380,473	(220,823)
Amortisation of upfront fees on securitisation arrangements		153,252	168,939
Amortisation of upfront fees on other borrowed funds		128,704	126,872
Unrealised exchange losses on other borrowed funds		1,816,625	1,941,650
Change in post-employment benefit obligations	40	(13,750,849)	1,037,766
Foreign exchange (gains) / losses	8	(5,983,712)	(536,950)
Gain on disposal of property, plant and equipment and intangible assets		(2,509,631)	(248,168)
Fair value and foreign exchange (gains) / losses on investment property	25	(1,050,588)	(2,021,873)
Fair value losses on derivative financial instruments		(152,258)	(68,478)
Changes in operating assets and liabilities:			
Statutory reserves at Central Bank		(4,244,223)	(5,695,533)
Pledged assets included in due from banks		(2,218,527)	(1,889,354)
Restricted cash included in due from banks		1,702,870	34,725
Reverse repurchase agreements		(1,434,277)	(1,378,370)
Loans and advances		(60,843,806)	(72,391,848)
Customer deposits		68,352,496	74,045,820
Repurchase agreements		22,161,245	13,535,704
Liabilities under annuity and insurance contracts		4,118,612	28,042,257
Other		(317,888)	(16,069,197)
Cash generated from operations		(36,060,309)	(11,339,100)
Interest received		84,425,920	73,106,382
Interest paid		(25,181,601)	(27,057,539)
Income tax paid		(13,618,024)	(16,330,016)
		<u>9,565,986</u>	<u>18,379,727</u>
Net cash provided by operating activities		<u>49,488,831</u>	<u>38,455,333</u>

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48. 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	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Loans and advances								
Balance at September 30	5,194	12,425	1,510,949	1,915,147	1,536,707	1,762,618	1,864,162	752,836
Interest income earned	514	1,112	25,867	29,326	71,969	80,884	74,344	44,136
Investment securities								
Balance at September 30	-	-	7,071,735	7,391,266	-	-	3,519,422	2,163,124
Interest income earned	-	-	293,197	266,120	-	-	50,440	84,052
Reverse repurchase agreements								
Balance at September 30	-	-	-	-	-	-	-	-
Interest income earned	-	-	-	-	-	-	-	-
Other assets								
Balance at September 30	488	1,073	-	-	225,174	-	-	-
Fee and commission income	1,268	31,940	63	43	-	104,710	397,181	596,458
Other operating income					-	-	86,499	1,218,487
Dividend income	-	-	42,949	21,729	-	-	20,420	42,434

NCB Financial Group Limited

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48. 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	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Customer deposits								
Balance at September 30	1,005,067	610,301	58,613	51,024	3,088,658	3,280,520	6,455,983	11,117,399
Interest expense	989	1,026	116	354	5,126	5,894	4,333	20,149
Repurchase agreements								
Balance at September 30	-	544,634	-	-	4,580,675	3,117,157	1,900,102	3,968,593
Interest expense	-	28,669	-	-	105,482	82,490	87,633	65,656
Borrowed Funds								
Balance at September 30	-	-	-	-	-	-	3,387	-
Interest expense	-	-	-	-	-	-	169	-
Other liabilities								
Balance at September 30	-	-	-	-	11,553	-	14,898	13,680
Operating expenses	596,217	57,091	-	-	628,454	617,907	1,151,031	1,757,998

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48. 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	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Loans and advances						
Balance at September 30	50,405,077	-	-	-	-	-
Interest income earned	1,714,115	5,317	-	-	-	-
Investment securities						
Balance at September 30	7,126,192	7,126,192	-	-	-	-
Interest income earned	490,000	498,822	-	-	-	-
Deposits with related party						
Balance at September 30	244,116	15,761,982	-	-	-	-
Interest income earned	15,223	19,240	-	-	-	-
Other assets						
Balance at September 30	5,076,973	335,125	-	-	-	-
Fee and commission income	3,500,000	3,500,000	-	-	-	-
Dividend income	1,229,820	15,545,046	-	-	-	-
Borrowed funds						
Balance at September 30	30,378,873	36,185,092	632,039	611,613	3,387	3,226
Interest expense	1,842,999	1,960,248	21,901	11,426	169	82
Other liabilities						
Balance at September 30	4,561,771	767,526	-	-	-	-
Operating Expenses	850,197	1,305,750	5,796	20,818	12,549	11,866

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48. Related Party Transactions and Balances (Continued)

	The Group		The Company	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Key management compensation:				
Salaries and other short-term benefits	7,893,078	8,284,540	3,943,539	4,333,624
Post-employment benefits	513,876	515,020	29,332	4,340
	<u>8,406,954</u>	<u>8,799,560</u>	<u>3,972,871</u>	<u>4,337,964</u>
Directors' emoluments:				
Fees	17,996	15,935	12,152	12,241
Management remuneration:				
Share benefits	1,348,299	1,319,765	1,319,765	1,266,006
Salaries and other benefits	2,466,539	2,328,425	2,328,425	1,858,815
	<u>3,814,838</u>	<u>3,648,190</u>	<u>3,648,190</u>	<u>3,124,821</u>

49. 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 activity 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.

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49. 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.

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49. Financial Risk Management (Continued)

(a) Credit risk (continued)

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.

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.

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49. Financial Risk Management (Continued)

(a) Credit risk (continued)

	The Group 2022			
	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
	\$000	\$000	\$000	\$000
Credit-impaired assets				
Loans and advances	25,930,464	(10,407,464)	15,523,000	170,479,657
Debt securities	5,885,137	(157,324)	5,727,813	-
Total credit-impaired assets	31,815,601	(10,564,788)	21,250,813	170,479,657

	The Group 2021			
	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
	\$000	\$000	\$000	\$000
Credit-impaired assets				
Loans and advances	32,963,026	(11,475,004)	21,488,022	78,356,154
Debt securities	4,706,036	(101,171)	4,604,865	-
Total credit-impaired assets	37,669,062	(11,576,175)	26,092,887	78,356,154

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49. 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			
	2022		2021	
	Loans \$'000	Impairment provision \$'000	Loans \$'000	Impairment provision \$'000
Standard	536,461,105	2,746,041	432,385,147	3,455,092
Special Mention	19,456,146	430,260	69,945,681	689,455
Sub-Standard	12,522,327	138,478	5,441,392	505,817
Doubtful	9,695,448	3,223,224	10,726,011	3,151,131
Loss	13,127,044	7,175,683	16,428,594	7,692,340
	<u>591,262,070</u>	<u>13,713,686</u>	<u>534,926,825</u>	<u>15,493,835</u>

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49. Financial Risk Management (Continued)

(a) Credit risk (continued)

The credit quality of loans is summarised as follows:

	The Group		The Company	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Unimpaired	565,331,605	503,900,435	50,166,303	-
Impaired	25,930,465	31,026,390	-	-
Gross	591,262,070	534,926,825	50,166,303	-
Less: provision for credit losses	(13,713,686)	(15,493,835)	(10,007)	-
Net	577,548,384	519,432,990	50,156,296	-

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

	The Group		The Company	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Less than 30 days	76,035,726	86,486,964	-	-
31 to 60 days	4,562,079	5,841,661	-	-
61 to 90 days	9,669,182	6,527,979	-	-
Greater than 90 days	76,471	1,340,202	-	-
	90,343,458	100,196,806	-	-

Of the aggregate amount of gross past due but not impaired loans \$72,135,940,000 was secured as at September 30, 2022 (2021 – \$88,561,050,000).

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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49. 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	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
<i>Credit risk exposures relating to on-statement of financial position assets:</i>				
Balances with Central Banks	70,856,440	69,134,649	-	-
Due from banks	194,669,345	182,138,173	280,629	15,797,132
Derivative financial instruments	874,471	767,441	-	-
Reverse repurchase agreements	8,300,133	9,667,060	-	-
Loans and advances, net of credit impairment losses	580,987,814	523,488,890	-	-
Investment securities	865,674,735	813,279,289	7,126,191	7,126,178
Customers' liability – letters of credit and undertaking	6,451,165	4,801,671	-	-
Reinsurance assets	30,312,857	26,635,997	-	-
Other assets	50,806,443	39,029,972	7,994,832	936,044
	<u>1,808,933,403</u>	<u>1,668,943,142</u>	<u>15,401,652</u>	<u>23,859,354</u>
<i>Credit risk exposures relating to off-statement of financial position items:</i>				
Credit commitments	88,572,516	75,682,903	-	-
Acceptances, guarantees and indemnities	15,229,253	11,145,801	-	-
	<u>103,801,769</u>	<u>86,828,704</u>	<u>-</u>	<u>-</u>

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49. 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 Company	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Agriculture	7,559,371	8,270,546	-	-
Public Sector	34,349,897	20,618,152	-	-
Construction and land development	20,994,220	18,590,766	-	-
Other financial institutions	16,205,622	18,950,419	50,166,303	-
Distribution	59,015,491	53,787,303	-	-
Electricity, water and gas	11,151,648	11,553,497	-	-
Entertainment	873,525	961,771	-	-
Manufacturing	8,745,699	9,280,850	-	-
Mining and processing	133,787	119,414	-	-
Personal	288,730,151	262,075,466	-	-
Professional and other services	39,079,518	34,010,989	-	-
Tourism	59,739,897	52,522,889	-	-
Transportation storage and communication	5,374,078	3,285,681	-	-
Overseas residents	39,309,166	40,899,082	-	-
Total	591,262,070	534,926,825	50,166,303	-
Expected credit losses	(13,713,686)	(15,493,835)	(10,007)	-
	577,548,384	519,432,990	50,156,296	-
Interest receivable	3,439,430	4,055,900	238,774	-
Net	580,987,814	523,488,890	50,395,070	-

(ii) Debt securities

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

	The Group	
	2022 \$'000	2021 \$'000
Government of Jamaica and Bank of Jamaica	338,867,621	335,387,017
Other corporate bonds	166,754,791	178,774,457
Foreign governments	348,809,399	289,093,741
	854,431,811	803,255,215
Expected credit losses	(1,033,216)	(938,325)
Interest receivable	12,276,140	10,962,399
	865,674,735	813,279,289

NCB Financial Group Limited

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49. Financial Risk Management (Continued)

(a) Credit risk (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, 2022.

	The Group				
	ECL staging				
	2022				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
	\$000	\$000	\$000	\$000	\$000
DEBT SECURITIES					
Risk rating					
Low	338,926,848	49,130	-	-	338,975,978
Medium	395,410,237	6,074,991	35,651	601,376	402,122,255
High	2,608,795	2,248,811	217,091	-	5,074,697
Default	-	12,554	110,070	4,823,085	4,945,709
Gross carrying amount	736,945,880	8,385,486	362,812	5,424,461	751,118,639
Loss allowance on amortised cost	(670,512)	(304,154)	(58,546)	-	(1,033,212)
Carrying amount	736,275,368	8,081,332	304,266	5,424,461	750,085,427
	The Group				
	ECL staging				
	2021				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
	\$000	\$000	\$000	\$000	\$000
DEBT SECURITIES					
Risk rating					
Low	272,595,586	-	-	-	272,595,586
Medium	401,354,061	7,816,708	-	615,792	409,786,561
High	2,101,877	2,103,988	-	-	4,205,865
Default	64,729	12,061	-	3,989,072	4,065,862
Gross carrying amount	676,116,253	9,932,757	-	4,604,864	690,653,874
Loss allowance on amortised cost	(622,858)	(315,467)	-	-	(938,325)
Carrying amount	675,493,395	9,617,290	-	4,604,864	689,715,549

NCB Financial Group Limited

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(expressed in Jamaican dollars unless otherwise indicated)

49. Financial Risk Management (Continued)

(a) Credit risk (continued)

Maximum exposure to credit risk(continued)

	The Group				
	ECL staging				
	2022				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
	\$000	\$000	\$000	\$000	\$000
LOANS AND ADVANCES					
Risk rating					
Low	467,743,374	14,280,467	1,129	-	482,024,970
Medium	67,010,391	12,042,547	515,327	-	79,568,265
High	1,342,913	2,302,476	11,271,304	-	14,916,693
Default	-	-	14,752,142	-	14,752,142
Gross carrying amount	536,096,678	28,625,490	26,539,902	-	591,262,070
Loss allowance	(2,303,450)	(719,399)	(10,690,837)	-	(13,713,686)
Carrying amount	533,793,228	27,906,091	15,849,065	-	577,548,384

	The Group				
	ECL staging				
	2021				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
	\$000	\$000	\$000	\$000	\$000
LOANS AND ADVANCES					
Risk rating					
Low	269,174,322	81,688,387	217,441	-	351,080,150
Medium	99,112,574	47,276,016	305,485	-	146,694,075
High	825,440	4,004,012	15,873,137	-	20,702,589
Default	-	-	16,450,011	-	16,450,011
Gross carrying amount	369,112,336	132,968,415	32,846,074	-	534,926,825
Loss allowance	(1,186,840)	(2,830,379)	(11,476,616)	-	(15,493,835)
Carrying amount	367,925,496	130,138,036	21,369,458	-	519,432,990

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49. Financial Risk Management (Continued)

(a) Credit risk (continued)

Maximum exposure to credit risk(continued)

	The Group				
	ECL staging				
	2022				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
	\$000	\$000	\$000	\$000	\$000
DUE FROM BANKS, REINSURANCE and OTHER ASSETS					
Risk rating					
Low	196,728,551	7,349,924	-	-	204,078,475
Medium	50,769,384	14,282,509	-	-	65,051,893
High	527,228	12,030,946	24,723	-	12,582,897
Default	-	-	1,236,529	-	1,236,529
Gross carrying amount	248,025,163	33,663,379	1,261,252	-	282,949,794
Loss allowance	(511,620)	(3,009,227)	(1,240,909)	-	(4,761,756)
Carrying amount	247,513,543	30,654,152	20,343	-	278,188,038

	The Group				
	ECL staging				
	2021				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
	\$000	\$000	\$000	\$000	\$000
DUE FROM BANKS, REINSURANCE and OTHER ASSETS					
Risk rating					
Low	153,877,360	7,931,333	-	-	161,808,693
Medium	63,882,051	14,041,145	-	-	77,923,196
High	2,416,706	8,323,936	25,553	-	10,766,195
Default	-	-	459,263	-	459,263
Gross carrying amount	220,176,117	30,296,414	484,816	-	250,957,347
Loss allowance	(427,636)	(4,931,958)	(454,469)	-	(5,814,063)
Carrying amount	219,748,481	25,364,456	30,347	-	245,143,284

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49. Financial Risk Management (Continued)

(a) Credit risk (continued)

Maximum exposure to credit risk(continued)

	The Company				
	ECL staging				
	2022				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
	\$000	\$000	\$000	\$000	\$000
DEBT SECURITIES					
Risk rating					
Low	7,126,192	-	-	-	7,126,192
Gross carrying amount	7,126,192	-	-	-	7,126,192

	The Company				
	ECL staging				
	2021				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
	\$000	\$000	\$000	\$000	\$000
DEBT SECURITIES					
Risk rating					
Low	7,126,191	-	-	-	7,126,191
Gross carrying amount	7,126,191	-	-	-	7,126,191

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49. Financial Risk Management (Continued)

(a) Credit risk (continued)

Maximum exposure to credit risk(continued)

	The Company				
	ECL staging				
	2022				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
\$000	\$000	\$000	\$000	\$000	
LOANS AND ADVANCES					
Risk rating					
Low	50,166,303	-	-	-	50,166,303
Gross carrying amount	50,166,303	-	-	-	50,166,303
Loss allowance	(10,007)	-	-	-	(10,007)
Carrying amount	50,156,296	-	-	-	50,156,296

There was no loan balance in the comparative period.

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49. Financial Risk Management (Continued)

(a) Credit risk (continued)

Maximum exposure to credit risk(continued)

	The Company				
	ECL staging				
	2022				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
	\$000	\$000	\$000	\$000	\$000
DUE FROM BANKS, REINSURANCE and OTHER ASSETS					
Risk rating					
Low	6,943,927	-	-	-	6,943,927
Gross carrying amount	6,943,927	-	-	-	6,943,927
Loss allowance	-	-	-	-	-
Carrying amount	6,943,927	-	-	-	6,943,927

	The Company				
	ECL staging				
	2021				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
	\$000	\$000	\$000	\$000	\$000
DUE FROM BANKS, REINSURANCE and OTHER ASSETS					
Risk rating					
Low	16,712,402	-	-	-	16,712,402
Gross carrying amount	16,712,402	-	-	-	16,712,402
Loss allowance	-	-	-	-	-
Carrying amount	16,712,402	-	-	-	16,712,402

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49. Financial Risk Management (Continued)

(a) Credit risk (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				
	2022				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
	\$000	\$000	\$000	\$000	\$000
DEBT SECURITIES					
Risk rating					
Low	225,226	-	-	-	225,226
Medium	2,038,308	377,755	316	-	2,416,379
High	200,663	292,242	9,822	-	502,727
Default	-	12,554	48,408	-	60,962
Loss allowance	2,464,197	682,551	58,546	-	3,205,294

	The Group				
	ECL staging				
	2021				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
	\$000	\$000	\$000	\$000	\$000
DEBT SECURITIES					
Risk rating					
Low	200,806	-	-	-	200,806
Medium	1,967,904	440,329	-	-	2,408,233
High	348,739	502,601	-	-	851,340
Default	-	-	12,061	-	12,061
Loss allowance	2,517,449	942,930	12,061	-	3,472,440

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49. Financial Risk Management (Continued)

(a) Credit risk (continued)

	The Group				
	ECL staging				
	2022				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
	\$000	\$000	\$000	\$000	\$000
LOANS AND ADVANCES					
Risk rating					
Low	1,736,266	255,392	3,603	-	1,995,261
Medium	544,969	329,684	15,106	-	889,759
High	22,215	134,323	3,529,123	-	3,685,661
Default	-	-	7,143,005	-	7,143,005
Loss allowance	2,303,450	719,399	10,690,837	-	13,713,686

	The Group				
	ECL staging				
	2021				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
	\$000	\$000	\$000	\$000	\$000
LOANS AND ADVANCES					
Risk rating					
Low	748,789	1,390,465	2,062	-	2,141,316
Medium	428,396	1,277,696	21,743	-	1,727,835
High	9,655	162,218	3,757,005	-	3,928,878
Default	-	-	7,695,806	-	7,695,806
Loss allowance	1,186,840	2,830,379	11,476,616	-	15,493,835

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49. Financial Risk Management (Continued)

(a) Credit risk (continued)

	The Group				
	ECL staging				
	2022				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		
	\$000	\$000	\$000	\$000	\$000
DUE FROM BANKS, REINSURANCE and OTHER ASSETS					
Risk rating					
Low	127,967	39,061	-	-	167,028
Medium	353,691	2,094,237	-	-	2,447,928
High	29,962	875,929	24,723	-	930,614
Default	-	-	1,216,186	-	1,216,186
Loss allowance	511,620	3,009,227	1,240,909	-	4,761,756

	The Group				
	ECL staging				
	2021				
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		
	\$000	\$000	\$000	\$000	\$000
DUE FROM BANKS, REINSURANCE and OTHER ASSETS					
Risk rating					
Low	58,624	72,473	-	-	131,097
Medium	335,228	3,195,036	-	-	3,530,264
High	34,230	1,664,449	25,553	-	1,724,232
Default	-	-	428,916	-	428,916
Loss allowance	428,082	4,931,958	454,469	-	5,814,509

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49. Financial Risk Management (Continued)

(a) Credit risk (continued)

	The Company				
	ECL staging				
	2022				
	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	1,568	-	-	-	1,568
Loss allowance	1,568	-	-	-	1,568
	The Company				
	ECL staging				
	2021				
	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	2,119	-	-	-	2,119
Loss allowance	2,119	-	-	-	2,119

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49. Financial Risk Management (Continued)

(a) Credit risk (continued)

	ECL staging				
	2022				
	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	10,007	-	-	-	10,007
Loss allowance	10,007	-	-	-	10,007
	ECL staging				
	2021				
	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	-	-	-	-	-
Loss allowance	-	-	-	-	-

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49. Financial Risk Management (Continued)

(a) Credit risk (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				
	2022				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
	\$000	\$000	\$000	\$000	\$000
DEBT SECURITIES					
Loss allowance as at October 1, 2021	2,517,449	942,930	12,061	-	3,472,440
Transfers:					
Transfer from Stage 1 to Stage 2	(59,900)	59,900	-	-	-
Transfer from Stage 1 to Stage 3	(154,820)	139,173	15,647	-	-
Transfer from Stage 2 to Stage 1	32,423	(32,423)	-	-	-
New financial assets originated or purchased	480,911	723	-	-	481,634
Financial assets derecognised during the period	(351,433)	(610)	-	-	(352,043)
Changes to principal	(105,277)	-	-	-	(105,277)
Changes to input to ECL model	80,116	(426,957)	30,838	-	(316,003)
Foreign exchange movement	24,728	(185)	-	-	24,543
Loss allowance as at September 30, 2022	2,464,197	682,551	58,546	-	3,205,294
	The Group				
	ECL staging				
	2021				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired	Total
	\$000	\$000	\$000	\$000	\$000
DEBT SECURITIES					
Loss allowance as at October 1, 2020	2,683,397	327,777	32,448	-	3,043,622
Transfers:					
Transfer from Stage 1 to Stage 2	(181,041)	181,041	-	-	-
Transfer from Stage 2 to Stage 3	-	(71,671)	71,671	-	-
Transfer from Stage 2 to Stage 1	269,545	(269,545)	-	-	-
Transfer from Stage 3 to Stage 2	-	60,456	(60,456)	-	-
New financial assets originated or purchased	954,658	-	-	-	954,658
Financial assets derecognised during the period	(630,413)	(3,709)	-	-	(634,122)
Changes to principal	-	-	(32,777)	-	(32,777)
Changes to input to ECL model	(158,115)	34,490	-	-	(123,625)
Foreign exchange movement	(562,276)	696,963	-	-	134,687
Loss allowance as at September 30, 2021	141,694	(12,872)	1,175	-	129,997
	2,517,449	942,930	12,061	-	3,472,440

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49. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loss allowance (continued)

	The Group ECL staging				
	2022				
	Stage 1 12-month ECL \$000	Stage 2 Lifetime ECL \$000	Stage 3 Lifetime ECL \$000	Purchased credit- impaired \$000	Total \$000
LOANS AND ADVANCES					
Loss allowance as at October 1, 2021	1,186,840	2,830,379	11,476,616	-	15,493,835
Transfers:					
Transfer from Stage 1 to Stage 2	(68,632)	68,632	-	-	-
Transfer from Stage 1 to Stage 3	(475,772)	-	475,772	-	-
Transfer from Stage 2 to Stage 3	-	(652,233)	652,233	-	-
Transfer from Stage 2 to Stage 1	1,149,103	(1,149,103)	-	-	-
Transfer from Stage 3 to Stage 1	132,541	-	(132,541)	-	-
Transfer from Stage 3 to Stage 2	-	765,508	(765,508)	-	-
New financial assets originated or purchased	560,510	23,881	2,804,430	-	3,388,821
Financial assets derecognised during the period	(55,988)	(210,409)	(866,425)	-	(1,132,822)
Write offs	-	-	(4,182,195)	-	(4,182,195)
Changes to principal	(364,798)	23,157	507,135	-	165,494
Changes to input to ECL model	367,668	(278,707)	(983)	-	87,978
Changes to interest accrual	(137,273)	(712,666)	528,114	-	(321,825)
Foreign exchange movement	9,251	10,960	194,189	-	214,400
Loss allowance as at September 30, 2022	2,303,450	719,399	10,690,837	-	13,713,686

	The Group ECL staging				
	2021				
	Stage 1 12-month ECL \$000	Stage 2 Lifetime ECL \$000	Stage 3 Lifetime ECL \$000	Purchased credit- impaired \$000	Total \$000
LOANS AND ADVANCES					
Loss allowance as at October 1, 2020	1,888,725	4,968,916	11,730,253	-	18,587,894
Transfers:					
Transfer from Stage 1 to Stage 2	(245,802)	245,802	-	-	-
Transfer from Stage 1 to Stage 3	(11,777)	-	11,777	-	-
Transfer from Stage 2 to Stage 3	-	(326,844)	326,844	-	-
Transfer from Stage 2 to Stage 1	266,882	(266,882)	-	-	-
Transfer from Stage 3 to Stage 1	(2,263)	-	2,263	-	-
Transfer from Stage 3 to Stage 2	-	(37,469)	37,469	-	-
New financial assets originated or purchased	306,410	402,769	5,139,386	-	5,848,565
Financial assets derecognised during the period	(117,875)	(994,643)	(128,469)	-	(1,240,987)
Write offs	-	-	(4,900,227)	-	(4,900,227)
Changes to principal	806,550	874,634	36,617	-	1,717,801
Changes to input to ECL model	(1,717,162)	(2,063,130)	(938,803)	-	(4,719,095)
Foreign exchange movement	13,152	27,226	159,506	-	199,884
Loss allowance as at September 30, 2021	1,186,840	2,830,379	11,476,616	-	15,493,835

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49. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loss allowance (continued)

	The Group				
	ECL staging				
	2022				
	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, 2021	428,082	4,931,958	454,469	-	5,814,509
Stage 2 to 3	-	(568,366)	568,366	-	-
New financial assets originated or purchased	82,497	4,425	-	-	86,922
Financial assets derecognised during the period	(3,336)	(30,029)	(21,201)	-	(54,566)
Write offs	-	(394,964)	331,790	-	(63,174)
Changes to principal	-	(316)	(89,501)	-	(89,817)
Changes to inputs to ECL model	17,724	(1,059,717)	146,918	-	(895,075)
Foreign exchange changes	(13,347)	126,236	(149,932)	-	(37,043)
Loss allowance as at September 30, 2022	511,620	3,009,227	1,240,909	-	4,761,756
	The Group				
	ECL staging				
	2021				
	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, 2020	605,945	3,455,051	559,558	-	4,620,554
Stage 2 to 3	-	(95,228)	95,228	-	-
New financial assets originated or purchased	49,405	-	-	-	49,405
Financial assets derecognised during the period	(9,291)	90,087	-	-	80,796
Write offs	(304)	(142,191)	(298,525)	-	(441,020)
Changes to principal	1,041	672	49,176	-	50,889
Changes to input to ECL model	(265,901)	1,479,351	18,850	-	1,232,300
Foreign exchange changes	47,187	144,216	30,182	-	221,585
Loss allowance as at September 30, 2021	428,082	4,931,958	454,469	-	5,814,509

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49. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loss allowance (continued)

	The Company				
	ECL staging				
	2022				
	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, 2021	2,119	-	-	-	2,119
Transfers:					
Changes to input to the ECL model	(551)	-	-	-	(551)
Loss allowance as at September 30, 2022	1,568	-	-	-	1,568
	The Company				
	ECL staging				
	2021				
	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, 2020	1,634	-	-	-	1,634
Transfers:					
New financial assets originated or purchased	485	-	-	-	485
Loss allowance as at September 30, 2021	2,119	-	-	-	2,119
	The Company				
	ECL staging				
	2022				
	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, 2021					
Transfers:					
New financial assets originated or purchased	10,007	-	-	-	10,007
Loss allowance as at September 30, 2022	10,007	-	-	-	10,007
	The Company				
	ECL staging				
	2021				
	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, 2020	37	-	-	-	37
Transfers:					
New financial assets originated or purchased	(37)	-	-	-	(37)
Loss allowance as at September 30, 2021	-	-	-	-	-

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49. Financial Risk Management (Continued)

(a) Credit risk (continued)

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

At October 1, 2021 and September 30, 2022

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 growth, 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 growth of 3.59 (2021: - 5.9) and Global Consumer Price Index 7.4 (2021: 4.79).

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	Stable	Positive
	Downside	Stable	Negative
Inflation	Base	Stable	Stable
	Upside	Stable	Positive
	Downside	Stable	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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49. Financial Risk Management (Continued)

(a) Credit risk (continued)

Sensitivity analysis

Set out below are the changes in ECL as at 30 September 2022 that would result from a reasonably possible change in the PDs and LGDs used by the Group:

PD Sensitivity

Financial Assets	The Group		Impact on ECL
	2022		
	Actual PD ranges applied	% Change in PD	Impact \$'000
Debt securities	0.003% – 2.522%	+/- 30%	757,360
Loans and advances	0% - 0.13%	+/- 30%	599,635
Repurchase agreements	0.003% - 0.01%	+/- 30%	11,028
Cash and cash equivalents	0.0% - 0.01%	+/- 30%	84,441
Commitments, guarantees & LCs			5,845
Total			1,458,309

Financial Assets	The Group		Impact on ECL
	2021		
	Actual PD ranges applied	% Change in PD	Impact \$'000
Debt securities	0.003% – 2.39%	+/- 30%	994,635
Loans and advances	0% - 0.19%	+/- 30%	951,318
Repurchase agreements	0.003% - 0.01%	+/- 30%	10,398
Cash and cash equivalents	0.0003% - 0.01%	+/- 30%	113,298
Commitments, guarantees & LCs			4,321
Total			2,073,970

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49. 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 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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49. 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	2 to 3 Months	4 to 12 Months	1 to 5 Years	Over 5 Years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at September 30, 2022:						
Due to Banks	11,014,374	4,760,796	15,133,394	7,956,070	-	38,864,634
Customer deposits	623,464,337	35,695,873	57,549,829	18,346,201	-	735,056,240
Repurchase agreements	64,266,413	73,620,548	70,659,437	42,244,702	21,691,969	272,483,069
Obligations under securitisation arrangements	1,307,719	498,813	6,652,319	59,428,581	63,737,317	131,624,749
Other borrowed funds	1,359,938	3,017,313	32,987,695	117,413,795	10,501,496	165,280,237
Third party interests in mutual funds	33,587,710	-	-	-	-	33,587,710
Lease liabilities	30,839	105,443	1,703,529	2,805,122	909,541	5,554,474
Liabilities under annuity, insurance and investment contracts	2,619,182	3,240,494	45,443,504	132,956,852	839,044,665	1,023,304,697
Segregated fund liabilities	5,193	20,004	112,553	1,301,169	12,997,831	14,436,750
Other	63,903,306	-	-	-	-	63,903,306
Total financial liabilities (contractual maturity dates)	801,559,011	120,959,284	230,242,260	382,452,492	948,882,819	2,484,095,866
Total financial liabilities (expected maturity dates)	337,480,498	112,979,073	249,877,736	539,621,421	1,270,786,093	2,510,744,821
Total financial assets (expected maturity dates)	275,258,559	81,275,744	201,507,911	637,696,797	1,383,827,732	2,579,566,743

	The Group					
	Within 1 Month	2 to 3 Months	4 to 12 Months	1 to 5 Years	Over 5 Years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at September 30, 2021:						
Due to Banks	7,471,318	6,984,241	-	12,290,421	-	26,745,980
Customer deposits	556,402,985	27,065,509	54,441,558	14,034,613	-	651,944,665
Repurchase agreements	65,126,052	79,837,732	37,917,136	45,672,781	6,217,151	234,770,852
Obligations under securitisation arrangements	3,107,220	480,199	10,762,256	35,924,246	27,854,997	78,128,918
Other borrowed funds	7,719,196	19,067,848	16,749,392	111,119,139	15,040,553	169,696,128
Third party interests in mutual funds	33,699,975	-	-	-	-	33,699,975
Lease liabilities	126,383	207,374	825,813	3,260,892	1,516,840	5,937,302
Liabilities under annuity, insurance and investment contracts	1,761,356	3,840,631	45,428,079	118,641,898	813,958,609	983,630,573
Segregated fund liabilities	10,889	31,280	154,946	1,117,335	14,105,029	15,419,479
Other	57,828,017	-	-	-	-	57,828,017
Total financial liabilities (contractual maturity dates)	733,253,391	137,514,814	166,279,180	342,061,325	878,693,179	2,257,801,889
Total financial liabilities (expected maturity dates)	195,988,083	150,856,423	170,181,031	417,003,184	1,319,457,818	2,253,486,539
Total financial assets (expected maturity dates)	209,615,995	14,525,617	183,346,618	631,035,332	1,311,025,791	2,349,549,353

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49. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Cash flows of financial liabilities (continued)

	The Company					
	Within 1	2 to 3	4 to 12	1 to 5	Over	Total
	Month	Months	Months	Years	5 Years	
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at September 30, 2022:						
Due to banks	275,753	7,119,759	11,743,988	-	-	19,139,500
Other borrowed funds	16,684	469,985	15,458,819	78,141,206	-	94,086,694
Derivative financial instruments	-	-	402,695	-	-	402,695
Lease Liabilities	10,390	20,781	93,514	-	-	124,685
Other	5,398,303	-	-	-	-	5,398,303
Total financial liabilities (contractual maturity dates)	5,701,130	7,610,525	27,699,016	78,141,206	-	119,151,877
Total financial liabilities (expected maturity dates)	2,817,042	(7,364,854)	(12,801,161)	(38,959,562)	8,465,972	(47,842,563)
Total financial assets (expected maturity dates)	8,518,172	245,671	14,897,855	39,181,644	8,465,972	71,309,314

	The Company					
	Within 1	2 to 3	4 to 12	1 to 5	Over	Total
	Month	Months	Months	Years	5 Years	
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at September 30, 2021:						
Due to banks	-	520,024	-	17,263,197	-	17,783,221
Other borrowed funds	552,675	653,737	8,070,314	87,228,514	-	96,505,240
Other	2,153,737	-	-	-	-	2,153,737
Total financial liabilities (contractual maturity dates)	2,706,412	1,173,761	8,070,314	104,491,711	-	116,442,198
Total financial liabilities (expected maturity dates)	2,706,412	1,173,761	8,070,314	104,491,711	-	116,442,198
Total financial assets (expected maturity dates)	16,647,439	245,671	-	2,211,041	8,955,973	28,060,124

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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49. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Cash flows of financial liabilities (continued)

Off-statement of financial position items

The tables below show the contractual expiry by maturity of commitments.

	The Group			
	No later than 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
At September 30, 2022				
Credit commitments	85,012,264	2,618,797	941,454	88,572,516
Guarantees, acceptances and other financial facilities	11,433,298	970,349	2,825,606	15,229,253
Capital commitments	6,747,384	36,080	-	6,783,464
	<u>103,192,946</u>	<u>3,625,226</u>	<u>3,767,060</u>	<u>110,585,233</u>
At September 30, 2021				
Credit commitments	73,048,633	1,001,582	1,632,688	75,682,903
Guarantees, acceptances and other financial facilities	5,774,946	2,633,185	2,737,670	11,145,801
Capital commitments	5,828,043	234,469	-	6,062,512
	<u>84,651,622</u>	<u>3,869,236</u>	<u>4,370,358</u>	<u>92,891,216</u>

Capital commitments are in relation to approved expenditures for property, plant, equipment and computer software that were unused as at the end of the respective financial years either because they relate to work in progress or are awaiting the start of the project. Of the total capital commitments, planned expenditure valuing \$3,710,747,000 (2021 – \$1,094,360,000) for the Group has already been contracted.

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49. Financial Risk Management (Continued)

(c) Market risk

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

The Group incurs market risk primarily in treasury, trading and 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.

(i) Currency risk

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

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

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

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49. 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, 2022	\$'000	\$'000	\$'000	\$'000
Assets				
Due from banks	155,112	125,518	-	280,630
Loan to related party	-	50,395,070	-	50,395,070
Investment securities	7,126,192	-	-	7,126,192
Other	1,577,428	5,085,769	-	6,663,197
Total financial assets	8,858,732	55,606,357	-	64,465,089
Liabilities				
Due to banks	6,966,513	11,673,243	-	18,639,756
Other borrowed funds	38,778,390	42,584,880	-	81,363,270
Derivative financial instruments	402,695	-	-	402,695
Lease liabilities	121,489	-	-	121,489
Other	1,891,880	3,506,424	-	5,398,304
Total financial liabilities	48,160,967	57,764,547	-	105,925,514
Net on-statement of financial position	(39,302,235)	(2,158,190)	-	(41,460,425)
	The Company			
	J\$	US\$	TT\$	Total
September 30, 2021	\$'000	\$'000	\$'000	\$'000
Assets				
Due from banks	11,200,031	4,597,101	-	15,797,132
Loan to related party	-	-	-	-
Investment securities	7,126,178	-	-	7,126,178
Other	849,860	65,410	-	915,270
Total financial assets	19,176,069	4,662,511	-	23,838,580
Liabilities				
Due to banks	5,132,329	11,237,647	-	16,369,976
Other borrowed funds	34,881,973	50,760,512	-	85,642,485
Lease liabilities	76,438	-	-	76,438
Other	974,339	1,179,398	-	2,153,737
Total financial liabilities	41,065,079	63,177,557	-	104,242,636
Net on-statement of financial position	(21,889,010)	(58,515,046)	-	(80,404,056)

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49. 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.

	% Change in Currency Rate	2022		2021		
		Effect on Profit before Taxation		% Change in Currency Rate	Effect on Profit before Taxation	
		The Group \$'000	The Company \$'000		The Group \$'000	The Company \$'000
Currency:						
USD	Appreciation 2%	(1,556,573)	43,164	Appreciation 2%	(1,825,658)	1,170,301
	Depreciation 8%	6,226,293	(172,655)	Depreciation 6%	7,302,633	(4,681,204)
GBP	Appreciation 2%	15,285	-	Appreciation 2%	(31,557)	-
	Depreciation 8%	(61,142)	-	Depreciation 6%	126,230	-
TTD	Appreciation 2%	1,527,935	-	Appreciation 2%	1,488,274	-
	Depreciation 8%	(6,111,740)	-	Depreciation 6%	(5,953,095)	-
EUR	Appreciation 2%	(58,638)	-	Appreciation 2%	(10,898)	-
	Depreciation 8%	234,552	-	Depreciation 6%	43,593	-
CAN	Appreciation 2%	(62,769)	-	Appreciation 2%	(72,601)	-
	Depreciation 8%	251,077	-	Depreciation 6%	290,405	-
NAF	Appreciation 2%	890,188	-	Appreciation 2%	857,414	-
	Depreciation 8%	(3,560,753)	-	Depreciation 6%	(3,429,658)	-
BMD	Appreciation 2%	128,093	-	Appreciation 2%	182,333	-
	Depreciation 8%	(512,371)	-	Depreciation 6%	(729,332)	-

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49. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) *Interest rate risk*

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

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

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

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

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49. 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						Total
	Within 1	2 to 3	4 to 12	1 to 5	Over 5	Non-	
	Month	Months	Months	Years	Years	Interest Bearing	
September 30, 2022	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets							
Cash in hand and balances at Central Banks	3,683,604	-	-	-	1,661,566	65,511,270	70,856,440
Due from banks	94,327,650	14,011,140	22,292,808	26,196,497	1,896,877	35,944,373	194,669,345
Reverse repurchase agreements	4,076,016	2,311,756	375,723	1,510,742	-	25,896	8,300,133
Loans and advances net of provision for credit impairment losses	91,895,569	35,880,816	24,093,807	169,662,895	256,015,298	3,439,429	580,987,814
Investment securities classified as FVOCI	42,452,778	69,574,398	53,868,350	252,723,011	434,768,909	106,099,289	959,486,735
Reinsurance asset	-	-	-	-	-	30,312,857	30,312,857
Derivative financial instruments	-	-	-	-	-	874,471	874,471
Other	-	-	-	-	-	50,806,443	50,806,443
Total financial assets	236,435,617	121,778,110	100,630,688	450,093,145	694,342,650	293,014,028	1,896,294,238
Liabilities							
Due to banks	4,790,382	3,800,478	14,441,815	7,624,147	-	6,845,170	37,501,992
Customer deposits	601,651,890	35,876,748	56,753,513	19,401,763	-	1,592,768	715,276,682
Repurchase agreements	58,571,872	69,885,701	62,053,568	37,389,931	17,934,705	1,841,076	247,676,853
Obligations under securitisation arrangements	793,964	-	2,449,513	40,930,415	55,571,379	522,452	100,267,723
Other borrowed funds	1,780,236	2,273,294	18,298,777	120,688,577	9,857,284	1,123,781	154,021,949
Derivative financial instruments	-	-	-	-	-	-	-
Lease liabilities	23,099	46,262	335,972	2,172,409	89,015	2,506,402	5,173,159
Liabilities under annuity, insurance and investment contracts	3,668,693	3,029,477	13,556,669	88,900,111	289,069,796	85,126,946	483,351,692
Third party interest in mutual funds	33,587,741	-	-	-	-	-	33,587,741
Segregated fund liabilities	5,193	20,004	112,553	1,301,160	12,997,854	-	14,436,764
Other	-	-	-	-	-	63,903,306	63,903,306
Total financial liabilities	704,873,070	114,931,964	168,002,380	318,408,513	385,520,033	163,461,901	1,855,197,861
On-statement of financial position interest sensitivity gap	(468,437,453)	6,846,146	(67,371,692)	131,684,632	308,822,617	129,552,127	41,096,377
Cumulative interest sensitivity gap	(468,437,453)	(461,591,307)	(528,962,999)	(397,278,367)	(88,455,750)	41,096,377	

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49. Financial Risk Management (Continued)

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

	The Group						Total
	Within 1 Month	2 to 3 Months	4 to 12 Months	1 to 5 Years	Over 5 Years	Non-Interest Bearing	
September 30, 2021	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets							
Cash in hand and balances at Central Banks	1,735,301	-	-	-	1,342,585	66,056,763	69,134,649
Due from banks	92,757,858	7,517,046	14,557,701	30,878,490	4,032,571	32,394,507	182,138,173
Reverse repurchase agreements	2,687,447	2,981,831	3,984,094	-	-	13,688	9,667,060
Loans and advances net of provision for credit impairment losses	75,791,362	44,218,888	29,693,814	160,697,288	200,088,616	12,998,922	523,488,890
Investment securities classified as FVOCI	46,998,632	30,360,535	44,654,871	149,229,347	531,073,506	98,195,304	900,512,195
Reinsurance asset	-	-	-	-	-	26,635,997	26,635,997
Derivative financial instruments	-	-	-	-	-	767,441	767,441
Other	-	-	-	-	-	39,029,972	39,029,972
Total financial assets	219,970,600	85,078,300	92,890,480	340,805,125	736,537,278	276,092,594	1,751,374,377
Liabilities							
Due to banks	481,239	9,984,934	439,039	11,003,138	-	2,196,009	24,104,359
Customer deposits	551,680,844	26,350,023	53,891,626	13,665,338	-	1,497,569	647,085,400
Repurchase agreements	68,512,134	73,361,457	34,370,748	41,849,663	5,563,907	1,147,478	224,805,387
Obligations under securitisation arrangements	2,726,908	-	8,420,629	26,979,295	25,139,991	426,540	63,693,363
Other borrowed funds	1,259,248	17,994,880	13,646,456	91,412,494	12,258,901	1,461,360	138,033,339
Derivative financial instruments	-	-	-	-	-	45,228	45,228
Lease liabilities	105,471	125,037	491,031	2,026,412	1,137,206	1,492,355	5,377,512
Liabilities under annuity, insurance and investment contracts	2,207,685	3,505,476	14,989,825	172,573,567	202,702,092	80,850,982	476,829,627
Third party interest in mutual funds	33,699,975	-	-	-	-	-	33,699,975
Segregated fund liabilities	-	-	838,636	14,580,797	-	-	15,419,433
Other	-	-	-	-	-	57,828,017	57,828,017
Total financial liabilities	660,673,504	131,321,807	127,087,990	374,090,704	246,802,097	146,945,538	1,686,921,640
On-statement of financial position interest sensitivity gap	(440,702,904)	(46,243,507)	(34,197,510)	(33,285,579)	489,735,181	129,147,056	64,452,737
Cumulative interest sensitivity gap	(440,702,904)	(486,946,411)	(521,143,921)	(554,429,500)	(64,694,319)	64,452,737	

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49. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

	The Company						Total
	Within 1 Month	2 to 3 Months	4 to 12 Months	1 to 5 Years	Over 5 Years	Non-Interest Bearing	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
September 30, 2022							
Assets							
Due from banks	280,630	-	-	-	-	-	280,630
Loan to related party	-	-	13,681,719	36,484,584	-	228,767	50,395,070
Investment securities classified as FVOCI	-	-	-	-	7,000,000	126,192	7,126,192
Other	-	-	-	-	-	6,663,197	6,663,197
Total financial assets	280,630	-	13,681,719	36,484,584	7,000,000	7,018,156	64,465,089
Liabilities							
Due to banks	-	6,500,000	11,401,433	-	-	738,323	18,639,756
Other borrowed funds	-	-	18,746,007	62,308,430	-	308,833	81,363,270
Derivative financial instruments	-	-	-	-	-	402,695	402,695
Lease liabilities	10,124	20,248	91,117	-	-	-	121,489
Other	-	-	-	-	-	5,398,304	5,398,304
Total financial liabilities	10,124	6,520,248	30,238,557	62,308,430	-	6,848,155	105,925,514
On-statement of financial position interest sensitivity gap	270,506	(6,520,248)	(16,556,838)	(25,823,846)	7,000,000	170,001	(41,460,425)
Cumulative interest sensitivity gap	270,506	(6,249,742)	(22,806,580)	(48,630,426)	(41,630,426)	(41,460,425)	
September 30, 2021							
Assets							
Due from banks	15,796,187	-	-	-	-	945	15,797,132
Investment securities classified as FVOCI	-	-	-	-	7,000,000	126,178	7,126,178
Other	-	-	-	-	-	915,270	915,270
Total financial assets	15,796,187	-	-	-	7,000,000	1,042,393	23,838,580
Liabilities							
Due to banks	-	-	-	15,975,980	-	393,996	16,369,976
Other borrowed funds	-	-	6,585,588	78,165,323	-	891,574	85,642,485
Lease liabilities	-	-	-	76,438	-	-	76,438
Other	-	-	-	-	-	2,153,737	2,153,737
Total financial liabilities	-	-	6,585,588	94,217,741	-	3,439,307	104,242,636
On-statement of financial position interest sensitivity gap	15,796,187	-	(6,585,588)	(94,217,741)	7,000,000	(2,396,914)	(80,404,056)
	15,796,187	15,796,187	9,210,599	(85,007,142)	(78,007,142)	(80,404,056)	

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49. 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, 2022											
Assets											
Balances at Central Banks	6.50	-	-	-	-	-	-	-	-	-	-
Due from banks	-	1.00	-	-	-	-	-	-	-	-	-
Reverse repurchase agreements	7.51	3.94	-	-	-	-	-	-	-	-	-
Loans and advances	9.66	5.46	-	-	5.92	1.50	-	-	3.83	-	-
Investment securities	7.45	4.64	-	0.38	-	6.70	-	7.00	-	-	-
Liabilities											
Due to banks	7.29	4.84	-	-	-	-	-	6.00	5.96	-	-
Customer deposits	0.08	0.06	0.75	2.41	-	-	1.07	-	-	-	-
Lease liabilities	5.02	-	-	-	-	-	-	-	-	-	-
Repurchase agreements	7.62	1.42	-	-	0.25	0.64	-	-	-	-	-
Obligations under securitisation arrangements	-	4.80	-	-	-	-	-	-	-	-	-
Other borrowed funds	5.74	6.54	-	-	-	6.10	-	6.57	7.61	-	-
September 30, 2021											
Assets											
Balances at Central Banks	0.50	-	-	-	-	-	-	-	-	-	-
Due from banks	-	0.75	-	-	-	-	-	-	-	-	-
Reverse repurchase agreements	2.39	2.19	-	-	6.05	5.77	-	-	-	-	-
Loans and advances	11.14	6.79	-	-	-	-	-	-	-	-	-
Investment securities	4.76	4.63	-	-	6.05	5.64	-	7.00	-	-	-
Liabilities											
Due to banks	0.97	2.94	-	-	-	-	-	6.00	5.96	-	-
Customer deposits	0.94	0.73	-	-	-	-	-	-	-	-	-
Lease liabilities	9.75	6.25	-	-	-	-	-	3.57	-	-	-
Repurchase agreements	3.00	2.62	-	-	2.63	-	-	-	-	-	-
Obligations under securitisation arrangements	-	5.44	-	-	-	-	-	-	-	-	-
Other borrowed funds	6.46	6.10	-	-	-	-	-	6.48	6.33	-	-

NCB Financial Group Limited

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(expressed in Jamaican dollars unless otherwise indicated)

49. 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 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
	2022	2022
	\$'000	\$'000
Change in basis points:		
Decrease - JMD -100 and USD -100	(457,943)	13,680,181
Increase - JMD +100 and USD +100	(711,436)	(39,152,516)
	Effect on Net Profit Before Tax	Effect on Other Comprehensive Income
	2021	2021
	\$'000	\$'000
Change in basis points:		
Decrease - JMD -100 and USD -100	297,964	33,761,453
Increase - JMD +100 and USD +100	(192,236)	(20,122,541)

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

NCB Financial Group Limited

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49. 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.

	The Group			
	Effect on Net Profit Before Tax	Effect on Other Comprehensive Income	Effect on Net Profit Before Tax	Effect on Other Comprehensive Income
	2022	2022	2021	2021
	\$'000	\$'000	\$'000	\$'000
Percentage change in share price				
10% decrease	(9,173,895)	-	(8,542,917)	-
10% increase	9,173,895	-	8,542,917	-

(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.

NCB Financial Group Limited

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49. 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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49. 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 subsidiary:

	Total Benefits Assured - Individual			
	2022		2021	
	Before Re-insurance	After Re-insurance	Before Re-insurance	After Re-insurance
Benefits assured per life assured (\$'000)				
TT\$0 - 250	480,112,968	1,854,499	473,513,345	462,355,652
TT\$251 - 500	583,977,853	2,580,801	554,167,737	476,955,106
TT\$501 - 1,000	502,788,839	3,241,874	475,814,259	343,851,367
TT\$1,001 - 3,000	262,123,483	1,422,439	237,548,962	130,204,516
More than TT\$3,000	110,625,151	-	115,008,163	19,645,881
Total	1,939,628,294	9,099,613	1,856,052,466	1,433,012,522

For the Jamaican life insurance subsidiary:

	Total Benefits Assured - Individual			
	2022		2021	
	Before Re-insurance	After Re-insurance	Before Re-insurance	After Re-insurance
Benefits assured per life assured (\$'000)				
0 – 1,000	347,891,509	345,273,883	338,690,363	335,964,047
1,000 – 2,000	60,206,320	56,031,144	49,046,718	44,676,540
2,000 – 5,000	14,794,971	12,285,630	11,026,195	8,421,116
5,000 – 10,000	12,058,649	9,684,102	9,158,276	6,759,553
Over 10,000	28,311,552	20,427,401	20,281,218	12,321,598
	463,263,001	443,702,160	428,202,770	408,142,854

For the Dutch Caribbean life insurance subsidiary:

	Total Benefits Insured			
	2022		2021	
	Before Re-insurance	After Re-insurance	Before Re-insurance	After Re-insurance
Benefits assured per life assured (\$'000)				
NAF\$10,001 - 20,000	212,429,780	206,992,223	212,427,175	206,838,773
NAF\$20,001 - 30,000	18,139,193	8,765,612	18,357,072	8,425,628
NAF\$30,001 - 40,000	5,284,316	2,353,934	5,831,330	2,416,359
NAF\$40,001 - 50,000	3,249,009	1,099,387	2,967,509	755,771
More than NAF\$50,000	2,665,719	720,635	2,398,181	640,760
Total	241,768,017	219,931,791	241,981,267	219,077,291

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49. 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 \$39,453,000 (2021 – \$42,646,000).
- Policyholders' benefits recovered from reinsurers during the year under these contracts amounted to \$Nil (2021 – \$ Nil).
- At September 30, 2022, premiums payable under re-insurance contracts amounted to \$7,609,000 (2021 – \$ 12,581,000).

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 subsidiary

	Total Annuities Payable	
	2022	2021
Annuity payable per annum per annuitant (\$'000)		
TT\$0-5,000	157,055	144,490
TT\$5,001-10,000	597,583	541,519
TT\$10,001-20,000	1,025,511	936,834
More than TT\$20,000	2,586,085	2,361,956
Total	4,366,234	3,984,799

For the Jamaican life insurance subsidiary

	Total Annuities Payable	
	2022	2021
Annuity payable per annum per annuitant (\$'000)		
0 -100	483,020	508,135
100 – 300	226,303	264,751
300 – 500	212,192	261,888
500 – 1,000	167,238	220,955
Over 1,000	2,304,126	2,695,816
Total	3,392,879	3,951,545

For the Dutch Caribbean life insurance subsidiary

	Total Annuities Payable	
	2022	2021
Annuity payable per annum per life		
NAF\$0 - 10,000	870,081	802,040
NAF\$10,001 - 20,000	619,642	575,749
NAF\$20,001 - 30,000	372,905	350,174
NAF\$30,001 - 40,000	228,403	208,525
NAF\$40,001 - 50,000	176,450	165,770
More than NAF\$50,000	506,885	487,138
Total	2,774,366	2,589,396

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49. 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.

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49. 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 its 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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49. 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 modelling 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.

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49. 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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49. 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:

	2022				
	Liability	Property	Motor	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Gross	4,111,640	9,182,680	10,226,864	1,892,453	25,413,637
Net of proportional reinsurance	2,312,818	3,199,924	6,274,131	774,236	12,561,109

	2021				
	Liability	Property	Motor	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Gross	3,870,981	7,944,435	10,286,195	1,352,799	23,454,410
Net of proportional reinsurance	2,361,847	3,324,885	6,089,834	543,145	12,319,711

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	20,310,219
By underwriting year	5,103,396
Total liability	<u>25,413,615</u>
Insurance claims - net	
By accident year	9,966,219
By underwriting year	2,594,868
Total liability	<u>12,561,087</u>

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49. 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 the 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 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, 2022.

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49. Financial Risk Management (Continued)

(f) Capital management (continued)

(ii) NCB Insurance Agency & Fund Management Limited (formerly NCBIC)

NCBIAFM 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, 2022.

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.

NCB Financial Group Limited

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49. 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, 2022.

(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 2021. 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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49. Financial Risk Management (Continued)

(f) Capital management (continued)

(iv) Clarien Bank Limited (continued)

The key elements of the Basel III capital requirements as set by the Bermuda regulatory, the BMA are as follows:

- Common equity Tier 1 (CET1) being the highest form of regulatory capital, comprising of common shares, accumulated reserves after regulatory deductions. Minimum Basel III capital ratios will be CET1 at least 4.5% of Risk Weighted Assets (RWAs), Tier 1 of at least 6.0% of RWAs and Total Capital of at least 8.0% of RWAs.
- A capital conservation buffer set 2.5% and is comprise of CET 1 capital.
- A capital surcharge for Domestic Systemically Important Banks 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.

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49. 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 regulatory capital shall be no less than 10% of its risk weighted 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.

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50. 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.

NCB Financial Group Limited

Notes to the Financial Statements

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50. 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 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
At September 30, 2022				
Financial assets				
<i>Investment securities classified as FVOCI</i>				
Government of Jamaica debt securities	-	279,838,373	2,058,368	281,896,741
Other Government Securities	41,080,863	64,256,430	2,650,881	107,988,174
Corporate Debt Securities	5,524,435	88,670,613	38,834,395	133,029,443
	46,605,298	432,765,416	43,543,644	522,914,358
<i>Investment securities at fair value through profit or loss</i>				
Government of Jamaica debt securities	-	18,961,569	-	18,961,569
Other Government Securities	8,705,531	70,591,399	-	79,296,930
Corporate Debt Securities	1,989,694	11,833,434	1,467,872	15,291,000
Quoted & Unquoted equity securities	77,806,032	1,931,247	12,001,674	91,738,953
Other securities	247,731	1,659,907	165,409	2,073,047
	88,748,988	104,977,556	13,634,955	207,361,499
Derivative financial instruments	-	874,471	-	874,471
	135,354,286	538,617,443	57,178,599	731,150,328
Financial liabilities				
Derivative financial instruments				
Liabilities under annuity and insurance contracts	-	-	437,175,410	437,175,410
	-	-	437,175,410	437,175,410

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50. Fair Values of Financial Instruments (Continued)

	The Group			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
At September 30, 2021				
Financial assets				
<i>Investment securities classified as FVOCI</i>				
Government of Jamaica debt securities	-	274,410,205	2,251,485	276,661,690
Other Government Securities	18,925,955	60,901,250	3,128,637	82,955,842
Corporate Debt Securities	3,687,182	102,858,430	36,247,864	142,793,476
	<u>22,613,137</u>	<u>438,169,885</u>	<u>41,627,986</u>	<u>502,411,008</u>
<i>Investment securities at fair value through profit or loss</i>				
Government of Jamaica guaranteed corporate bonds	-	17,368,423	-	17,368,423
Other Government Securities	11,903,092	74,594,857	-	86,497,949
Corporate Debt Securities	4,450,597	12,294,796	1,608,993	18,354,386
Quoted & Unquoted equity securities	73,517,623	3,347,809	8,563,741	85,429,173
Other securities	201,389	1,440,977	161,367	1,803,733
	<u>90,072,701</u>	<u>109,046,862</u>	<u>10,334,101</u>	<u>209,453,664</u>
Derivative financial instruments	-	767,441	-	767,441
	<u>112,685,838</u>	<u>547,984,188</u>	<u>51,962,087</u>	<u>712,632,113</u>
Financial liabilities				
Derivative financial instruments	-	45,228	-	45,228
Liabilities under annuity and insurance contracts	-	-	433,056,798	433,056,798
	-	<u>45,228</u>	<u>433,056,798</u>	<u>433,102,026</u>

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

	The Group	
	2022 \$'000	2021 \$'000
At start of year	51,962,087	81,779,783
Transfer between levels based on adoption of IFRS 9	799,612	450,373
Acquisitions	15,584,812	46,761,439
Disposals	(9,621,119)	(80,165,605)
Fair value gains	(1,546,793)	3,136,097
At end of year	<u>57,178,599</u>	<u>51,962,087</u>

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

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50. 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.

Description	Unobservable input	Range of input	2022	
			Change in basis points	Change in fair value \$'000
Other corporate bonds	Risk premium		JMD -50 and USD -50	819,433
			JMD +200 and USD +200	(1,515,500)
2021				
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	2,450,814
			JMD +100 and USD +50	(1,703,809)

The Group's level 3 unquoted equity securities would decrease in value by \$190,228,000 should there be a 5% decrease/increase (2021 - \$186,529,000) assuming a 15% decrease/increase.

The carrying value (excluding accrued interest) (Note 22) and fair value of investment securities classified as amortised cost are as follows:

	The Group	
	Carrying Value \$'000	Fair Value \$'000
At September 30, 2022	220,603,508	213,232,332
At September 30, 2021	181,879,343	176,166,604

Similar to debt securities classified as FVOCI 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.

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50. 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.

51. 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, 2022, the Group had financial assets under administration of approximately \$207,579,988,000 (2021 –\$191,592,341,000).

52. Dividends

No dividends were paid by NCB Financial Group Limited during the year:

The Board of Directors, at its meeting on November 11, 2022, did not declare an interim dividend.

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53. Non-Controlling Interest

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

	Guardian Holdings Limited		Clarien Group Limited	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Beginning of year	34,355,200	33,979,587	10,853,635	10,110,658
Share of net profit of subsidiaries	12,460,860	5,693,892	143,078	155,043
Revaluation surplus	(8,000,037)	(5,347,008)	267,123	1,325,480
Remeasurement of post-employment benefits obligations	515,244	430,587	-	-
Other	196,556	(39,293)	(831,855)	(737,546)
Dividends paid	(1,488,350)	(362,565)	-	-
End of year	<u>38,039,473</u>	<u>34,355,200</u>	<u>10,431,981</u>	<u>10,853,635</u>

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53. Non-Controlling Interest (Continued)

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

	Guardian Holdings Limited		Clarien Group Limited	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Statement of financial positions				
Current assets	163,320,585	147,446,445	25,230,199	26,823,904
Current liabilities	114,589,015	109,719,676	112,480,417	163,735,451
Total current net assets	48,731,570	37,726,769	(87,250,218)	(136,911,547)
Non-Current assets	608,239,224	597,096,403	179,406,753	169,800,611
Noncurrent liabilities	534,977,509	544,010,289	77,297,386	12,756,918
Total non-current net assets	73,261,715	53,086,114	102,109,367	157,043,693
Net assets	121,993,285	90,812,883	14,859,149	20,131,846
Statement of comprehensive income				
Revenue	208,576,415	202,135,223	11,204,190	10,487,602
Direct profit for the period	31,750,685	16,910,247	867,589	891,525
Consolidation adjustments	1,794,353	(957,831)	(581,377)	(581,377)
Other comprehensive income	(19,064,181)	(4,955,715)	(1,131,728)	587,935
Total comprehensive income	14,480,857	10,996,701	(845,516)	898,083
Profit allocated to NCI	12,460,860	5,693,892	143,078	155,043
OCI allocated to NCI	(7,288,237)	(4,955,715)	(564,732)	587,935
Accumulated non-controlling interest	5,172,623	738,177	(421,654)	742,978

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53. Non-Controlling Interest (Continued)

Summarised cash flows

The information below represents amounts before intercompany eliminations

	Guardian Holdings Limited		Clarien Group Limited	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Cash flows from operating activities				
Cash generated from operations	30,419,856	40,908,661	1,609,882	(6,930,526)
Interest paid	(4,979,666)	(4,683,173)	(814,822)	(1,730,839)
Income tax paid	(3,896,129)	(5,601,265)	-	-
Net cash generated from operating activities	21,544,061	30,624,223	795,060	(8,661,365)
Net cash used in investing activities	(20,109,881)	(35,342,016)	(12,017,870)	(2,708,286)
Net cash used in financing activities	(2,523,272)	5,994,367	(244,599)	(204,007)
Net increase in cash and cash equivalents				
Cash and cash equivalents at beginning of year	81,842,940	78,126,633	39,826,612	49,725,219
Exchange gains on cash and cash equivalents	(448,475)	2,318,995	1,545,842	1,667,051
Other movements	2,161,984	1,397,312	(11,467,409)	(11,565,658)
Cash and cash equivalents at end of year	83,556,449	81,842,940	29,905,045	39,826,612

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54. 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:

Liabilities	The Group			
	Other borrowed funds \$'000	Obligation under securitisation arrangements \$'000	Lease liabilities \$'000	Total \$'000
At 01 October 2019	125,066,336	71,083,957	4,597,994	200,748,287
Cash movements -				
Drawdowns	55,166,682	-	-	55,166,682
Repayment – principal	(45,264,920)	(7,894,566)	(1,846,996)	(55,006,482)
Non-cash movements -				
Additions	-	-	2,580,907	2,580,907
Amortisation of upfront fees	126,872	168,939	-	295,811
Foreign exchange adjustments	1,829,012	(220,823)	19,676	1,627,865
Interest payable	48,461	(50,290)	25,931	24,102
At 30 September 2021	136,972,443	63,087,217	5,377,512	205,437,172
Cash movements -				
Drawdowns	64,458,635	45,187,455	-	109,646,090
Repayment – principal	(49,767,061)	(9,089,479)	(1,633,705)	(60,490,245)
Non-cash movements -				
Additions	-	-	1,854,919	1,854,919
Amortisation of upfront fees	128,704	(575,919)	-	(447,215)
Foreign exchange adjustments	1,816,625	380,473	(425,567)	1,771,531
Interest payable	(337,117)	95,911	-	(241,206)
At 30 September 2022	153,272,229	99,085,658	5,173,159	257,531,046

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

Liabilities	The Company		
	Other borrowed funds \$'000	Lease liabilities \$'000	Total \$'000
At 01 October 2020	75,562,050	98,361	75,660,411
Cash movements -			
Drawdowns	31,963,927	-	31,963,927
Repayment	(24,939,637)	(150,576)	(25,090,213)
Non-cash movements -			
Additions	-	128,653	128,653
Foreign exchange adjustments	2,218,255	-	2,218,255
Amortisation of upfront fees	121,332	-	121,332
Interest payable	7,268	-	7,268
At 01 October 2021	84,933,195	76,438	85,009,633
Cash movements -			
Drawdowns	39,312,323	-	39,312,323
Repayment	(44,840,559)	(177,840)	(45,018,399)
Non-cash movements -			
Additions	-	222,891	222,891
Foreign exchange adjustments	1,804,694	-	1,804,694
Amortisation of upfront fees	128,704	-	128,704
Interest payable	(522,033)	-	(522,033)
At 30 September 2022	80,816,324	121,489	80,937,813

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55. Leases

The statement of financial position shows the following amounts relating to leases:

	2022 \$'000	2021 \$'000
Right-of-use assets		
Buildings	4,395,183	4,634,532
Motor vehicles	582,919	525,678
Equipment	133,492	74,728
	<u>5,111,594</u>	<u>5,234,938</u>
Lease liabilities		
Current	856,204	947,814
Non-current	4,316,955	4,429,698
	<u>5,173,159</u>	<u>5,377,512</u>

Rights-of-use assets

(i) Amounts recognised in the balance sheet

a) The statement of financial position shows the following amounts relating to leases:

	30 September 2022 \$'000	30 September 2021 \$'000
Right-of-use assets		
Buildings	4,395,183	4,634,532
Motor vehicles	582,919	525,678
Equipment	133,492	74,728
	<u>5,111,594</u>	<u>5,234,938</u>

b) As at 30 September 2022, leasehold Improvements and furniture, fittings and equipment where the Group is a lessee under a finance lease are as follows:

	Leasehold Improvements \$'000	Equipment \$'000	Motor Vehicles \$'000
Cost	1,382,508	339,971	1,594,223
Accumulated depreciation	(978,464)	(206,479)	(1,011,304)
Net book values	<u>404,044</u>	<u>133,492</u>	<u>582,919</u>

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55. Leases (Continued)

Leased assets previously classified as operating leases are presented as in the property, plant and equipment disclosure note.

During the financial year additions through new leases and acquisitions amounted to \$1,854,919,000 (2021- \$2,580,907,000).

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2022	2021
	\$'000	\$'000
Depreciation charge of right-of-use assets		
Buildings	1,442,542	1,016,898
Equipment	98,124	102,634
Motor Vehicles	356,505	373,498
	<u>1,897,171</u>	<u>1,493,030</u>

Amounts recognised in the statement of comprehensive income relating to leases:

	2022	2021
	\$'000	\$'000
Depreciation charge of right-of-use assets	1,897,171	1,493,030
Interest expense on lease liabilities	151,651	343,316
Total expenses related to leases	<u>2,048,822</u>	<u>1,836,346</u>

The Group's leasing activities

The Group leases various buildings to facilitate: execution of banking services at branches and ABMs, general business operations and housing for employees. Rental contracts are typically made for fixed periods of 1 to 10 years. Leases are negotiated on an individual basis and contain a wide range of different terms and conditions (including termination and renewal rights). Extension and termination options are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The extension and termination options held are exercisable by both the Group and the respective lessor.

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which do not have recent third party financing; and,
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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55. Leases (Continued)

The Group's leasing activities (continued)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low value assets comprise IT equipment and small items of office furniture.

Extension and termination options are included in a number of property and equipment leases across the Group. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). For leases of land and buildings, management has included various extension options in the lease liability, as relocating would from existing locations would be onerous.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and,
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and right-of-use assets of \$98,039,000.

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56. 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 National Commercial Bank 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 2017, 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 2020 at the end of which the Court of Appeal reserved its judgment. In July, 2020 the Court of Appeal handed down its Judgment dismissing the Bank's Appeal and affirming the decision of the Supreme Court. The Bank subsequently commenced the process of having an appeal heard by the Judicial Committee of the Privy Council.
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. The Supreme Court issued judgment in the Bank's favour, with the Court ordering a company (placed by the Bank into receivership) to pay the Claimant \$5 million plus interest. However, the claim had to be re-tried due to the retirement of the trial judge. Following the re-trial, in January 2022, the Supreme Court handed down its decision in which the company the Bank had placed into receivership was ordered to pay the Claimant \$2.5 million plus interest, while no adverse orders were made against the Bank. The Claimants have, however, appealed. No provision has been made for this claim as the Bank's attorneys given the lack of adverse orders against the Bank and the view of the Bank's attorneys-at-law that the Bank ought to succeed in defending the judgment on appeal.

A number of other suits have been filed by stakeholders of the Group. In some instances, counter-claims have been filed by the Group. Provision of \$772,379,740 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 defence against these claims.

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57. Offsetting Financial Assets and Financial Liabilities

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements.

		The Group					
		2022					
		Related amounts not set off in the statement of financial position					
	Gross amounts of financial assets \$'000	Gross amounts set off on the balance sheet \$'000	Net amounts of financial assets presented on the balance sheet \$'000	Impact of master netting agreements \$'000	Cash collateral \$'000	Financial instruments collateral \$'000	Net amounts \$'000
		2022					
Assets							
Cash resources	265,525,785	-	265,525,785	-	(4,751,010)	(8,862,666)	251,912,109
Financial investments	959,486,735	-	959,486,735	(235,432,156)	-	(12,320,159)	711,734,420
	<u>1,225,012,520</u>	<u>-</u>	<u>1,225,012,520</u>	<u>(235,432,156)</u>	<u>(4,751,010)</u>	<u>(21,182,825)</u>	<u>963,646,529</u>
		2021					
Assets							
Cash resources	250,927,116	-	250,927,116	-	(5,249,318)	(6,634,136)	239,043,662
Financial investments	900,512,195	-	900,512,195	(206,734,968)	-	(9,922,149)	683,855,078
	<u>1,151,439,311</u>	<u>-</u>	<u>1,151,439,311</u>	<u>(206,734,968)</u>	<u>(5,249,318)</u>	<u>(16,556,285)</u>	<u>922,898,740</u>

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57. Offsetting Financial Assets and Financial Liabilities (Continued)

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements.

The Group							
2022							
Related amounts not set off in the statement of financial position							
	Gross amounts of financial assets \$'000	Gross amounts set off on the balance sheet \$'000	Net amounts of financial assets presented on the balance sheet \$'000	Impact of master netting agreements \$'000	Cash collateral \$'000	Financial instruments collateral \$'000	Net amounts \$'000
Liabilities							
Repurchase agreements	247,676,853	-	247,676,853	(235,432,156)	(2,866,461)	-	9,378,236
Obligations under securitisation agreements	99,085,658	-	99,085,658	-	(1,884,549)	-	97,201,109
	<u>346,762,511</u>	<u>-</u>	<u>346,762,511</u>	<u>(235,432,156)</u>	<u>(4,751,010)</u>	<u>-</u>	<u>106,579,345</u>
2021							
Liabilities							
Repurchase agreements	224,805,387	-	224,805,387	(206,734,968)	(1,661,899)	-	16,408,520
Obligations under securitisation agreements	63,087,217	-	63,087,217	-	(3,587,419)	-	59,499,798
	<u>287,892,604</u>	<u>-</u>	<u>287,892,604</u>	<u>(206,734,968)</u>	<u>(5,249,318)</u>	<u>-</u>	<u>75,908,318</u>

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58. IFRS 17 – Insurance Contracts

IFRS 17, 'Insurance Contracts' was issued in May 2017 with an original effective date of 1 January 2021. Amendments to IFRS 17 "Insurance Contracts" were issued in June 2020 and included a two-year deferral of the effective date to 1 January 2023. IFRS 17 will replace IFRS 4, 'Insurance Contracts' and will materially change the recognition and measurement of insurance contracts and the corresponding presentation and disclosures in the Group's financial statements.

Major considerations within IFRS 17 include:

- The transition approach.
- The redesignation of finance assets.
- Level of aggregation requirements.
- Measurement models.
- Accounting policies relating to the determination of discount rates, the risk adjustment, and the contractual service margin.
- Presentation and disclosure requirements.

These considerations are expected to have a significant impact on the timing of revenue and profit recognition, thereby affecting insurance revenue, insurance service expenses, the insurance contract liability, and ultimately, net equity. Further, the manner in which these adjusted results will be presented differs significantly from how they were presented in the past.

To ensure the accurate and timely implementation of this new standard, a Group-wide IFRS 17 implementation programme, led by an Executive Project Sponsor, was initiated. This programme coordinated significant enhancements to the Group's IT, actuarial, and finance systems. Groupwide accounting policies were set, application methodologies were developed, processes and controls were established, and data was sourced to implement the required actuarial and finance system changes.

An IFRS 17 Executive and Technical Committee provides oversight and strategic direction to the implementation programme. A Finance sub-committee was also in place to provide governance over the technical interpretation and accounting policies selected, design and delivery of the programme. The Group is now in the process of finalising the build and testing of new actuarial and finance systems while transitioning the new elements of the financial statement close process into its day-to-day operations. Further refinement and consideration of estimates and areas of judgement is ongoing.