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National Commercial Bank Jamaica Limited

Financial Statements
September 30, 2015

National Commercial Bank Jamaica Limited

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September 30, 2015

Independent Auditors' Report

To the Members of
National Commercial Bank Jamaica Limited

Report on the Consolidated and Company Stand-Alone Financial Statements
We have audited the accompanying consolidated financial statements of National Commercial Bank Jamaica Limited and its subsidiaries, set out on pages 1 to 144, which comprise the consolidated statement of financial position as at 30 September 2015 and the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information, and the accompanying financial statements of National Commercial Bank Jamaica Limited standing alone, which comprise the statement of financial position as at 30 September 2015 and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated and Company Stand-Alone Financial Statements
Management is responsible for the preparation of consolidated and company stand-alone financial statements that give a true and fair view in accordance with International Financial Reporting Standards 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 company stand-alone financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated and company stand-alone financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and company stand-alone financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and company stand-alone financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated and company stand-alone financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated and company stand-alone financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and company stand-alone financial statements.

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

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

L.A. McKnight P.E. Williams L.E. Augier A.K. Jain B.L. Scott B.J. Denning G.A. Reece P.A. Williams R.S. Nathan

Opinion

In our opinion, the consolidated financial statements of National Commercial Bank Jamaica Limited and its subsidiaries, and the financial statements of National Commercial Bank Jamaica Limited standing alone give a true and fair view of the financial position of National Commercial Bank Jamaica Limited and its subsidiaries and of National Commercial Bank Jamaica Limited standing alone as at 30 September 2015, and of their financial performance and cash flows for the year then ended, so far as concerns the members of National Commercial Bank Jamaica Limited, in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

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 company stand-alone financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

PricewaterhouseCoopers,
Chartered Accountants
November 19, 2015
Kingston, Jamaica

National Commercial Bank Jamaica Limited

Consolidated Income Statement

Year ended September 30, 2015

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2015 $'000	Restated 2014 $'000
Operating Income			
Interest income		37,485,884	36,899,627
Interest expense		(11,521,854)	(12,238,960)
Net interest income	6	25,964,030	24,660,667
Fee and commission income		11,976,517	10,597,396
Fee and commission expense		(2,189,124)	(1,930,225)
Net fee and commission income	7	9,787,393	8,667,171
Gain on foreign currency and investment activities	8	3,753,037	2,592,645
Premium income	9	7,641,621	6,997,961
Dividend income	10	126,095	160,586
Other operating income		200,739	174,619
		11,721,492	9,925,811
		47,472,915	43,253,649
Operating Expenses			
Staff costs	11	11,942,482	11,523,930
Provision for credit losses	22	1,799,158	2,226,949
Policyholders' and annuitants' benefits and reserves	12	3,875,319	4,397,682
Depreciation and amortisation		1,563,551	1,247,403
Impairment losses on securities	13	79,765	200,085
Other operating expenses	14	12,211,459	9,740,893
		31,471,734	29,336,942
Operating Profit		16,001,181	13,916,707
Negative goodwill on acquisition of subsidiary	48	-	301,441
Share of profit of associates	25	433,666	902,696
(Loss)/gain on dilution/disposal of investment in associate		(50,748)	349,042
Profit before Taxation		16,384,099	15,469,886
Taxation	15	(4,082,309)	(3,142,766)
NET PROFIT		12,301,790	12,327,120
Earnings per stock unit (expressed in $)			
Basic and diluted	16	5.00	5.01

National Commercial Bank Jamaica Limited

Consolidated Statement of Comprehensive Income

Year ended September 30, 2015

(expressed in Jamaican dollars unless otherwise indicated)

	2015	**Restated 2014**
	$'000	**$'000**
Net Profit	12,301,790	12,327,120
Other Comprehensive Income, net of tax -		
Items that will not be reclassified to profit or loss		
Remeasurements of post-employment benefit obligations	(258,608)	(172,470)
Items that may be reclassified subsequently to profit or loss		
Currency translation gains	260,083	350,724
Unrealised gains on available-for-sale investments	610,551	220,016
Realised fair value gains on sale and maturity of available-for-sale investments	(676,318)	(181,359)
Realised gains on disposal of investment in associate	-	(308,936)
	194,316	80,445
Total other comprehensive income	(64,292)	(92,025)
TOTAL COMPREHENSIVE INCOME	12,237,498	12,235,095

National Commercial Bank Jamaica Limited

Consolidated Statement of Financial Position

September 30, 2015

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2015	Restated 2014	Restated 2013
		$'000	$'000	$'000
ASSETS				
Cash in hand and balances at Central Banks	17	28,875,090	29,795,115	24,388,683
Due from other banks	18	24,064,233	20,393,555	19,328,412
Derivative financial instruments	19	486,783	581,668	387,304
Investment securities at fair value through profit or loss	20	943,184	523,393	380,755
Reverse repurchase agreements	21	2,148,117	1,621,798	328,105
Loans and advances, net of provision for credit losses	22	165,404,606	157,630,000	141,150,312
Investment securities classified as available-for-sale and loans and receivables	23	166,019,274	105,557,761	100,856,119
Pledged assets	24	110,659,584	159,488,612	134,530,695
Investment in associates	25	6,307,220	5,913,804	8,512,251
Investment properties	26	475,500	484,500	462,500
Intangible assets	27	2,812,563	2,463,849	1,837,974
Property, plant and equipment	28	8,030,877	7,313,869	6,438,707
Deferred income tax assets	29	70,242	23,390	31,710
Income tax recoverable		902,435	1,184,083	2,173,835
Customers' liability – letters of credit and undertaking		1,775,088	1,270,160	1,479,108
Other assets	30	4,840,365	5,099,535	4,288,585
Total Assets		523,815,161	499,345,092	446,575,055

National Commercial Bank Jamaica Limited
Consolidated Statement of Financial Position
September 30, 2015
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2015 $'000	Restated 2014 $'000	Restated 2013 $'000
LIABILITIES				
Due to other banks	31	6,146,366	6,336,574	17,410,200
Customer deposits		227,850,985	202,162,392	178,411,021
Repurchase agreements		100,004,008	134,690,626	117,377,395
Obligations under securitisation arrangements	32	44,292,064	13,885,577	10,101,032
Derivative financial instruments	19	52,794	52,660	1,437
Other borrowed funds	33	8,595,313	11,992,819	4,900,592
Income tax payable		181,084	92,408	14,299
Deferred income tax liabilities	29	1,793,557	2,455,791	2,413,121
Liabilities under annuity and insurance contracts	35	34,689,274	34,230,910	33,914,506
Provision for litigation	36	1,500	3,053	11,500
Post-employment benefit obligations	37	2,940,888	2,185,311	1,793,616
Liability – letters of credit and undertaking		1,775,088	1,270,160	1,479,108
Other liabilities	38	7,098,029	8,140,428	6,230,508
Total Liabilities		435,420,950	417,498,709	374,058,335
EQUITY				
Share capital	39	6,465,731	6,465,731	6,465,731
Shares held by NCB Employee Share Scheme	39	(3,388)	(3,388)	(3,388)
Fair value and capital reserves	40	2,765,321	2,571,005	2,490,560
Loan loss reserve	41	5,706,122	5,375,901	5,141,357
Banking reserve fund	42	6,518,648	6,512,634	6,512,634
Retained earnings reserve	43	20,810,000	19,430,000	18,050,657
Retained earnings		46,131,777	41,494,500	33,859,169
Total Equity		88,394,211	81,846,383	72,516,720
Total Equity and Liabilities		523,815,161	499,345,092	446,575,055

Approved for issue by the Board of Directors on November 12, 2015 and signed on its behalf by:

Patrick Hylton — Group Managing Director

Dennis Cohen — Group Finance and Deputy Managing Director

Professor Alvin Wint — Director

Dave Garcia — Company Secretary

National Commercial Bank Jamaica Limited

Consolidated Statement of Changes in Equity

Year ended September 30, 2015

(expressed in Jamaican dollars unless otherwise indicated)

	Share Capital	Shares Held by Share Scheme	Fair Value and Capital Reserves	Loan Loss Reserve	Banking Reserve Fund	Retained Earnings Reserve	Retained Earnings	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at October 1, 2013, as previously reported	6,465,731	(3,388)	2,490,560	5,141,357	6,512,634	18,050,657	33,311,585	71,969,136
Restatement on adoption of IFRIC 21 (Note 53)	-	-	-	-	-	-	547,584	547,584
Balance at October 1, 2013, as restated	6,465,731	(3,388)	2,490,560	5,141,357	6,512,634	18,050,657	33,859,169	72,516,720
Total comprehensive income, as restated	-	-	80,445	-	-	-	12,154,650	12,235,095
Dividends paid	-	-	-	-	-	-	(2,905,432)	(2,905,432)
Transfer to Loan Loss Reserve	-	-	-	234,544	-	-	(234,544)	-
Transfer to Retained Earnings Reserve	-	-	-	-	-	1,379,343	(1,379,343)	-
Balance at October 1, 2014, as restated	6,465,731	(3,388)	2,571,005	5,375,901	6,512,634	19,430,000	41,494,500	81,846,383
Total comprehensive income	-	-	194,316	-	-	-	12,043,182	12,237,498
Dividends paid	-	-	-	-	-	-	(5,689,670)	(5,689,670)
Transfer to Loan Loss Reserve	-	-	-	330,221	-	-	(330,221)	-
Transfer to Banking Reserve Fund	-	-	-	-	6,014	-	(6,014)	
Transfer to Retained Earnings Reserve	-	-	-	-	-	1,380,000	(1,380,000)	-
Balance at September 30, 2015	6,465,731	(3,388)	2,765,321	5,706,122	6,518,648	20,810,000	46,131,777	88,394,211

National Commercial Bank Jamaica Limited

Consolidated Statement of Cash Flows

Year ended September 30, 2015

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2015 $'000	Restated 2014 $'000
Cash Flows from Operating Activities			
Net profit		12,301,790	12,327,120
Adjustments to reconcile net profit to net cash (used in)/provided by operating activities		(12,652,165)	24,003,855
Net cash (used in)/provided by operating activities	44	(350,375)	36,330,975
Cash Flows from Investing Activities			
Acquisition of subsidiary, net of cash acquired	48	-	569,044
Deferred consideration paid		-	(262,939)
Acquisition of property, plant and equipment	28	(1,754,575)	(1,737,437)
Acquisition of intangible asset – computer software	27	(913,066)	(1,032,921)
Proceeds from disposal of property, plant and equipment		104,347	79,395
Proceeds from disposal of investment in associate	25	-	2,933,386
Dividends received from associates	25	142,931	230,127
Purchases of investment securities		(108,208,499)	(116,014,128)
Sales/maturities of investment securities		94,042,504	76,889,729
Net cash used in investing activities		(16,586,358)	(38,345,744)
Cash Flows from Financing Activities			
Proceeds from securitisation arrangements		28,394,178	2,647,894
Proceeds from other borrowed funds		1,517,844	7,904,900
Repayments of other borrowed funds		(8,078,556)	(1,020,281)
Due to other banks		(448,369)	(7,919,014)
Dividends paid		(5,689,670)	(2,905,432)
Net cash provided by/(used in) financing activities		15,695,427	(1,291,933)
Effect of exchange rate changes on cash and cash equivalents		1,874,467	2,991,294
Net increase/(decrease) in cash and cash equivalents		633,161	(315,408)
Cash and cash equivalents at beginning of year		28,246,559	28,561,967
Cash and Cash Equivalents at End of Year		28,879,720	28,246,559
Comprising:			
Cash in hand and balances at Central Banks	17	5,627,242	6,961,360
Due from other banks	18	23,423,198	20,147,323
Reverse repurchase agreements	21	1,698,845	1,008,500
Investment securities	23	1,024,402	2,765,182
Due to other banks	31	(2,893,967)	(2,635,806)
		28,879,720	28,246,559

National Commercial Bank Jamaica Limited

Income Statement

Year ended September 30, 2015

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2015 $'000	Restated 2014 $'000
Operating Income			
Interest income		27,390,043	26,127,855
Interest expense		(7,583,213)	(7,712,629)
Net interest income	6	19,806,830	18,415,226
Fee and commission income		10,079,414	9,115,633
Fee and commission expense		(2,189,124)	(1,930,225)
Net fee and commission income	7	7,890,290	7,185,408
Gain on foreign currency and investment activities	8	1,964,961	1,013,915
Dividend income	10	2,493,297	1,877,943
Other operating income		140,974	141,610
		4,599,232	3,033,468
		32,296,352	28,634,102
Operating Expenses			
Staff costs	11	9,701,642	9,531,853
Provision for credit losses	22	1,795,638	2,230,406
Depreciation and amortisation		1,329,059	1,082,346
Other operating expenses	14	9,708,996	8,006,288
		22,535,335	20,850,893
Operating profit		9,761,017	7,783,209
Gain on disposal of investment in associate		-	1,796,456
Profit before taxation		9,761,017	9,579,665
Taxation	15	(1,872,535)	(1,361,327)
NET PROFIT		7,888,482	8,218,338

National Commercial Bank Jamaica Limited

Statement of Comprehensive Income

Year ended September 30, 2015

(expressed in Jamaican dollars unless otherwise indicated)

	2015 $'000	Restated 2014 $'000
Net Profit	7,888,482	8,218,338
Other Comprehensive Income, net of tax:		
Items that will not be reclassified to profit or loss		
Remeasurement of the post-employment benefit obligations	(279,853)	(210,372)
Items that may be reclassified subsequently to profit or loss		
Unrealised gains on available-for-sale investments	276,327	530,007
Realised fair value gains on sale and maturity of available-for-sale investments	(323,004)	(277,378)
	(46,677)	252,629
Total other comprehensive income	(326,530)	42,257
TOTAL COMPREHENSIVE INCOME	7,561,952	8,260,595

National Commercial Bank Jamaica Limited

Statement of Financial Position

September 30, 2015

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2015 $'000	Restated 2014 $'000	Restated 2013 $'000
ASSETS				
Cash in hand and balances at Central Bank	17	28,704,268	29,684,148	24,377,531
Due from other banks	18	21,238,200	19,034,879	18,787,758
Derivative financial instruments	19	433,989	529,008	387,304
Reverse repurchase agreements	21	2,601,543	1,471,326	760,724
Loans and advances, net of provision for credit losses	22	162,675,184	156,335,868	140,443,240
Investment securities classified as available-for-sale and loans and receivables	23	87,850,982	38,751,595	36,537,858
Pledged assets	24	35,390,769	79,113,242	57,556,696
Investment in associates	25	2,208,203	2,208,203	2,679,737
Investment in subsidiaries		1,609,609	1,609,609	1,609,609
Intangible assets	27	2,106,836	1,707,191	1,207,893
Property, plant and equipment	28	7,022,879	6,315,122	5,564,391
Income tax recoverable		-	288,037	1,157,263
Customers' liability – letters of credit and undertaking		1,775,088	1,270,160	1,479,108
Other assets	30	3,620,112	4,240,351	2,789,447
Total Assets		357,237,662	342,558,739	295,338,559

National Commercial Bank Jamaica Limited

Statement of Financial Position

September 30, 2015

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2015 $'000	Restated 2014 $'000	Restated 2013 $'000
LIABILITIES				
Due to other banks	31	14,900,542	12,630,290	21,430,317
Customer deposits		214,448,535	198,715,823	179,099,655
Repurchase agreements		19,784,945	50,146,739	30,271,641
Obligations under securitisation arrangements	32	44,292,064	13,885,577	10,101,032
Derivative financial instruments	19	-	-	1,437
Other borrowed funds	33	4,900,163	8,235,730	2,985,250
Income tax payable		116,965	-	-
Deferred tax liabilities	29	1,570,735	2,274,191	2,176,182
Provision for litigation	36	1,500	3,053	11,500
Post-employment benefit obligations	37	2,726,770	2,098,933	1,702,720
Liability – letters of credit and undertaking		1,775,088	1,270,160	1,479,108
Other liabilities	38	4,562,117	7,003,735	5,135,024
Total Liabilities		309,079,424	296,264,231	254,393,866
EQUITY				
Share capital	39	6,465,731	6,465,731	6,465,731
Fair value and capital reserves	40	118,584	165,261	(87,368)
Loan loss reserve	41	5,706,122	5,375,901	5,141,357
Banking reserve fund	42	6,512,634	6,512,634	6,512,634
Retained earnings reserve	43	20,810,000	19,430,000	18,050,657
Retained earnings		8,545,167	8,344,981	4,861,682
Total Equity		48,158,238	46,294,508	40,944,693
Total Equity and Liabilities		357,237,662	342,558,739	295,338,559

Approved for issue by the Board of Directors on November 12, 2015 and signed on its behalf by:

Patrick Hylton — Group Managing Director

Dennis Cohen — Group Finance and Deputy Managing Director

Professor Alvin Wint — Director

Dave Garcia — Company Secretary

National Commercial Bank Jamaica Limited

Statement of Changes in Equity

Year ended September 30, 2015

(expressed in Jamaican dollars unless otherwise indicated)

	Share Capital	Fair Value and Capital Reserves	Loan Loss Reserve	Banking Reserve Fund	Retained Earnings Reserve	Retained Earnings	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at September 30, 2013, as previously reported	6,465,731	(87,368)	5,141,357	6,512,634	18,050,657	4,496,097	40,579,108
Restatement on adoption of IFRIC 21 (Note 53)	-	-	-	-	-	365,585	365,585
Balance at September 30, 2013, as restated	6,465,731	(87,368)	5,141,357	6,512,634	18,050,657	4,861,682	40,944,693
Total comprehensive income, as restated	-	252,629	-	-	-	8,007,966	8,260,595
Dividends paid	-	-	-	-	-	(2,910,780)	(2,910,780)
Transfer to Loan Loss Reserve	-	-	234,544	-	-	(234,544)	-
Transfer to Retained Earnings Reserve	-	-	-	-	1,379,343	(1,379,343)	-
Balance at September 30, 2014, as restated	6,465,731	165,261	5,375,901	6,512,634	19,430,000	8,344,981	46,294,508
Total comprehensive income	-	(46,677)	-	-	-	7,608,629	7,561,952
Dividends paid	-	-	-	-	-	(5,698,222)	(5,698,222)
Transfer to Retained Earnings Reserve	-	-	-	-	1,380,000	(1,380,000)	-
Transfer to Loan Loss Reserve	-	-	330,221	-		(330,221)	-
Balance at September 30, 2015	6,465,731	118,584	5,706,122	6,512,634	20,810,000	8,545,167	48,158,238

National Commercial Bank Jamaica Limited

Statement of Cash Flows

Year ended September 30, 2015

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2015	2014
		$'000	$'000
Cash Flows from Operating Activities			
Net profit		7,888,482	8,218,338
Adjustments to reconcile net profit to net cash (used in)/provided by operating activities		(20,246,848)	21,491,116
Net cash (used in)/provided by operating activities	44	(12,358,366)	29,709,454
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment	28	(1,642,562)	(1,531,386)
Acquisition of intangible asset – computer software	27	(830,654)	(818,046)
Proceeds from disposal of investment in associate	25	-	2,267,990
Proceeds from disposal of property, plant and equipment		102,214	53,155
Purchases of investment securities		(40,548,741)	(50,075,761)
Sales/maturities of investment securities		33,127,035	22,017,497
Net cash used in investing activities		(9,792,708)	(28,086,551)
Cash Flows from Financing Activities			
Proceeds from securitisation arrangements		28,394,178	2,647,894
Proceeds from other borrowed funds		861,269	5,805,721
Repayments of other borrowed funds		(4,267,087)	(666,086)
Due to other banks		(4,712,017)	(4,742,214)
Dividends paid		(5,698,222)	(2,910,780)
Net cash provided by financing activities		14,578,121	134,535
Effect of exchange rate changes on cash and cash equivalents		1,858,082	2,543,644
Net increase in cash and cash equivalents		(5,714,871)	4,301,082
Cash and cash equivalents at beginning of year		26,932,581	22,631,499
Cash and Cash Equivalents at End of Year		21,217,710	26,932,581
Comprising:			
Cash in hand and balances at Central Bank	17	5,582,703	6,948,847
Due from other banks	18	20,597,165	18,788,647
Reverse repurchase agreements	21	2,601,504	40,000
Investment securities	23	1,012,702	2,749,182
Due to other banks	31	(8,576,364)	(1,594,095)
		21,217,710	26,932,581

National Commercial Bank Jamaica Limited

Notes to the Financial Statements
September 30, 2015
(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities

National Commercial Bank Jamaica Limited ("the Bank") is incorporated in Jamaica and licensed under the Banking Act, 1992. The Bank is a 51.82% (2014 - 46.82%) subsidiary of 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 Bank.

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

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

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

	Principal Activities	Percentage Ownership by The Group	
		2015	2014
Data-Cap Processing Limited	Security Services	100	100
Mutual Security Insurance Brokers Limited	Dormant	100	100
NCB Capital Markets Limited	Securities Dealer and Stock Brokerage Services	100	100
Advantage General Insurance Company Limited	General Insurance	100	100
NCB Capital Markets (Cayman) Limited	Securities Dealing	100	100
NCB Global Finance Limited (formerly AIC Finance Limited)	Merchant Banking	100	100
NCB Capital Markets (Barbados) Limited	Brokerage Services	100	Nil
NCB (Cayman) Limited	Commercial Banking	100	100
NCB Trust Company (Cayman) Limited (formerly NCB Investments (Cayman) Limited)	Dormant	100	100
NCB Insurance Company Limited	Life Insurance, Investment and Pension Fund Management Services	100	100
N.C.B. (Investments) Limited	Dormant	100	100
N.C.B. Jamaica (Nominees) Limited	Dormant	100	100
NCB Remittance Services (Jamaica) Limited	Dormant	100	100
NCB Remittance Services (UK) Limited	Money Remittance Services	100	100
West Indies Trust Company Limited	Trust and Estate Management Services	100	100
NCB Employee Share Scheme	Dormant	100	100

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

Incorporation of NCB Capital Markets (Barbados) Limited

NCB Capital Markets (Barbados) Limited was incorporated in May 2015 and obtained a securities dealer license from the Barbados Financial Services Commission in September 2015.

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1. Identification and Principal Activities (Continued)

The Group's associates, which are all incorporated in Jamaica, are as follows:

	Principal Activities	Percentage ownership by The Group	
		2015	2014
Dyoll Group Limited	In Liquidation	44.47	44.47
Elite Diagnostic Limited	Medical Imaging Services	29.61	29.61
Jamaica Money Market Brokers Limited	Securities Dealer and Stock Brokerage Services	26.30	26.30
Kingston Properties Limited	Ownership of real estate properties	-	25.17

In July 2015, Kingston Properties Limited increased its ordinary share capital by way of a rights issue which resulted in a dilution of the Group's interest from 25.17% to 10.76%. The Group's holdings have therefore been reclassified from investment in associates to investment securities.

2. Significant Accounting Policies

(a) Basis of preparation

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

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

Standards, interpretations 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:

IAS 32 (Amendment), 'Financial Instruments: Presentation', (effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The standard clarified that a qualifying right of set off must not be contingent on a future event and must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy. There was no significant impact from adoption of this amendment during the year.

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2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

Amendments to IFRS 10, IFRS 12 and IAS 27 – 'Investment entities', (effective for annual periods beginning 1 January 2014). These amendments introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity is required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity's investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgements made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary. There was no impact from adoption of these amendments during the year.

IFRIC 21, 'Levies', (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 addresses the accounting for a liability to pay a levy recognised in accordance with *IAS 37, 'Provisions, contingent liabilities and contingent assets'*, and the liability to pay a levy whose timing and amount is uncertain. It excludes income taxes within the scope of *IAS 12, 'Income taxes'*. IFRIC 21 indicates that the obligating event that gives rise to a liability to pay a levy is the event identified by the legislation that triggers the obligation to pay the levy. It concludes that the fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern principle, does not create an obligation to pay a levy that will arise from operating in the future. Accordingly, a liability to pay a levy is recognised when the obligating event occurs. This might arise at a point in time or progressively over time. The interpretation also requires that an obligation to pay a levy triggered by a minimum threshold is recognised when the threshold is reached. The Group adopted this interpretation effective 1 October 2014. The Group had previously recognised liabilities for asset-based taxes progressively during the year. Following adoption, the Group recognises these liabilities in full at the trigger dates under the Assets Tax (Specified Bodies) Act in Jamaica. The impact arising from adoption is set out in Note 53.

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36), (effective for annual periods beginning on or after 1 January 2014). The amendments to IAS 36 require disclosure of the recoverable amount of an individual asset (including goodwill) or a cash-generating unit and additional information about the fair value less costs of disposal for which an impairment loss has been recognised or reversed during the reporting period. The requirement to disclose the recoverable amount of each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite life intangible assets allocated to that unit is significant when compared to the total carrying amount of goodwill or indefinite life intangible assets has been removed. There was no significant impact from adoption of this amendment during the year.

IAS 19 (Amendment) – 'Defined Benefit Plans: Employee Contributions', (effective for annual periods beginning 1 July 2014). The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service. There was no significant impact from adoption of this amendment during the year.

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2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

Annual Improvements 2012, (effective for annual periods beginning on or after 1 July 2014, unless otherwise stated below). The improvements comprise changes to a number of standards, the following of which are relevant to the Group's operations. IFRS 3 was amended to clarify that (1) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (2) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014. IFRS 8 was amended to require (1) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (2) a reconciliation of segment assets to the entity's assets when segment assets are reported. The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial. IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided. There was no significant impact from adoption of these amendments during the year.

Annual Improvements 2013, (effective for annual periods beginning on or after 1 July 2014). The improvements consist of changes to a number of standards, of which the following are relevant to the Group's operations. IFRS 13 was amended to clarify that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9. IAS 40 was amended to clarify the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property. There was no significant impact from adoption of these amendments during the year.

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

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

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2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

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

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

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

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

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

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

Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

IFRS 9, 'Financial Instruments' (continued)

The Group is still assessing the potential impact of adoption and whether it should consider early adoption but it is not possible at this stage to quantify the potential effect. The Group expects the following impacts following adoption of the standard.

The Group expects that, in many instances, the classification and measurement outcomes will be similar to IAS 39, although differences may arise, for example, since IFRS 9 does not apply embedded derivative accounting to financial assets. The combined effect of the application of the business model and the contractual cash flow characteristics tests may result in some differences in population of financial assets measured at amortised cost or fair value compared with IAS 39.

Regarding credit loss provisioning, the Group expects that, as a result of the recognition and measurement of impairment under IFRS 9 being more forward-looking than under IAS 39, the resulting impairment charge may tend to be more volatile. It may also tend to result in an increase in the total level of impairment allowances, since all financial assets will be assessed for at least 12-month ECL and the population of financial assets to which lifetime ECL applies is likely to be larger than the population for which there is objective evidence of impairment in accordance with IAS 39.

The Group does not currently adopt hedge accounting but may consider doing so in future under the simplifications under the new standard.

Amendments to IAS 16, 'Property, Plant and Equipment' and IAS 38, 'Intangible Assets' - Clarification of Acceptable Methods of Depreciation and Amortisation, (effective for the periods beginning on or after 1 January 2016). In these amendments, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The Group does not expect any impact from the adoption of the amendments on its financial statements as it does not use revenue-based depreciation or amortisation methods.

National Commercial Bank Jamaica Limited

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

Amendments to IAS 27, 'Associates', (effective for annual periods beginning 1 January 2016). The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Group is currently assessing whether to use the equity method in the separate financial statements of the Bank.

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

Annual Improvements 2014, (effective for annual periods beginning on or after 1 January 2016). The amendments impact the following standards. IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from "held for sale" to "held for distribution" or vice versa) does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34. The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise. IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report". The Group is currently assessing the impact of future adoption of the amendments on its financial statements.

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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)

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

(b) Basis of consolidation

Subsidiaries

Subsidiaries are those entities which the Group controls because the Group (i) has power to direct relevant activities of the entities that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the entities, and (iii) has the ability to use its power over the entities to affect the amount of the entities returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the entities need to be made. The Group may have power over an entity even when it holds less than majority of voting power in an entity. In such a case, the Group assesses the size of its of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the entity. Protective rights of other investors, such as those that relate to fundamental changes in the entities 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 values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

2. Significant Accounting Policies (Continued)

(b) Basis of consolidation (continued)

Subsidiaries

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 Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

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

In the Bank's stand-alone financial statements, investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

Associates

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

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

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

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

Investments in associates are accounted for using the equity method of accounting, and are initially recognised at cost.

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

2. Significant Accounting Policies (Continued)

(c) Segment reporting

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

(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 consolidated financial statements are presented in Jamaican dollars, which is the Bank's functional currency.

Transactions and balances

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

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

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

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.

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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 discount on treasury bills and other discounted instruments.

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

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

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

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

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

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2. Significant Accounting Policies (Continued)

(f) Income taxes

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

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

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

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

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

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

(g) Cash and cash equivalents

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

(h) Derivative financial instruments

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

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

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

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

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2. Significant Accounting Policies (Continued)

(i) Repurchase and reverse repurchase transactions

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

(j) Loans and advances and provisions for credit losses

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

Provision for credit losses determined under the requirements of IFRS

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

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

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

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

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

2. Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

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

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2. Significant Accounting Policies (Continued)

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

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

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

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

(k) Investment securities

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

Investment securities at fair value through profit or loss are those which were either acquired for generating a profit from short-term fluctuations in price or dealer’s margin, or are securities included in a portfolio in which a pattern of short-term profit-taking exists. 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 fair value through profit or loss is recognised in interest income. All other realised and unrealised gains and losses are included in gain on foreign currency and investment activities.

Available-for-sale securities are those intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or 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 available-for-sale securities are recognised in other comprehensive income. When the securities are disposed of or impaired, the related accumulated unrealised gains or losses included in other comprehensive income are transferred to the income statement.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than: (i) those financial assets that the Group intends to sell immediately or in the short term, which are classified as held for trading, and (ii) those financial assets that the entity upon initial recognition, designates as at fair value through profit or loss or that it has designated as available-for-sale.

2. Significant Accounting Policies (Continued)

(k) Investment securities (continued)

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

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

In the case of equity securities classified as available-for-sale, 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 available-for-sale 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. Impairment losses recognised on the equity instruments are not reversed through the income statement.

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

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 (that is, if substantially all the risks and rewards have not been transferred, the Group tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition).

(l) Investment property

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

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

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2. Significant Accounting Policies (Continued)

(m) Intangible assets

Computer software

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

Customer relationships and trade name

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

(n) Property, plant and equipment

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

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

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

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

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

(o) Impairment of long lived assets

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

National Commercial Bank Jamaica Limited

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2. Significant Accounting Policies (Continued)

(p) Financial liabilities

The Group's financial liabilities comprise primarily amounts due to other banks, customer deposits, repurchase agreements, obligations under securitisation arrangements, other borrowed funds and policyholders' liabilities.

The recognition and measurement of policyholders' liabilities is detailed in Note 2(t); other financial liabilities are measured at amortised cost.

(q) Borrowings

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

(r) Structured products

Structured products are recognised initially at the nominal amount when funds are received. Derivatives are separately accounted for at fair value through the income statement (Note 34). The non-derivative elements are stated at amortised cost using the effective interest method.

(s) Leases

As lessee

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

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

As lessor

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

2. Significant Accounting Policies (Continued)

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

Classification

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

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

Recognition and measurement

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

Short duration insurance contracts

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

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

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

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

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

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

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

2. Significant Accounting Policies (Continued)

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

Recognition and measurement (continued)

Short duration insurance contracts (continued)

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

Long duration insurance contracts

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

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

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

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

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

Outstanding claims

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

Policyholders' benefits

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

2. Significant Accounting Policies (Continued)

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

Liability adequacy test

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

Reinsurance contracts held

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

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

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

Receivables and payables related to insurance contracts and investment contracts

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

(u) Provisions

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

2. Significant Accounting Policies (Continued)

(v) Post-employment benefits

Pension benefits

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

Defined benefit pension plans

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

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

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

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

Past-service costs are recognised immediately in expenses.

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

Defined contribution pension plans

A defined contribution pension plan is a plan under which the Group pays fixed contributions into a separate fund. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all the benefits relating to employee service in the current and prior periods. The contributions are charged to the income statement in the period to which they relate.

Other post-employment benefit obligations

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

2. Significant Accounting Policies (Continued)

(v) Post-employment benefits (continued)

Termination benefits

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

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

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

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

(ii) Obligations to guarantee or stand as surety for the benefit of a third party.

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

Where the Bank's obligations are considered to be contingent, the amounts are disclosed in Note 46.

(x) Share capital

Share issue costs

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

Dividends on ordinary shares

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

Treasury shares

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

(y) Fiduciary activities

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

3. Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

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

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

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 audit issues raised, based on their interpretation of the taxation laws, and their knowledge of any precedents established by the taxation authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences could materially impact the current tax and deferred tax provisions in the period in which such determination is made.

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

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

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

The ultimate liability arising from claims made under insurance contracts

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

Future obligations for post-employment benefits

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

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

Interests in structured entities

During the prior year, the Group launched a Unit Trust Scheme comprising three portfolios – the JMD Money Market Portfolio, the JMD High Yield Portfolio and the Caribbean Equity Portfolio. During the year, the Group added three new portfolios to provide customers with investment opportunities in United States currency – the USD Money Market Portfolio, the USD Indexed Bond Portfolio and the USD Bond Portfolio. The Unit Trust has an independent trustee. The Group is the investment manager of the Unit Trust. Determining whether the Group controls the Unit Trust requires judgement. This would include a consideration of the investors' rights to remove the investment manager and an assessment of the exposure to variability arising from the aggregate economic interests of the Group in the Trust.

The Group as investment manager earns income from preliminary charges ranging from 0-4% and management fees ranging from 1.5-1.75% on these Unit Trust portfolios and the Group owns 1.8% of the units in the Unit Trust at September 30, 2015.

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

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

4. Responsibilities of the Appointed Actuaries and External Auditors

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

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

5. Segment Reporting

The Group is organised into the following business segments:

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

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

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

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

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

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

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

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

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

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

Direct allocated costs and unallocated corporate expenses
Costs incurred by the support units of the Bank 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 Group Managing Director and Board of Directors. Costs allocated to the non-banking segments are not included in the individual internal reports presented by those segments and are treated as unallocated corporate expenses.

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

National Commercial Bank Jamaica Limited

Notes to the Financial Statements
September 30, 2015
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5. Segment Reporting (Continued)

Year ended September 30, 2015	Consumer and SME									
	Retail & SME	Payment Services	Corporate Banking	Treasury & Correspondent Banking	Wealth, Asset Management& Investment Banking	Life Insurance & Pension Fund Management	General Insurance	Other	Eliminations	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
External revenue	14,665,200	9,496,483	5,774,109	9,558,547	8,629,700	6,747,868	6,211,680	100,306	-	61,183,893
Revenue from other segments	2,490,566	-	49,985	3,944,406	742,663	116,678	187,082	59,146	(7,590,526)	-
Total revenue	17,155,766	9,496,483	5,824,094	13,502,953	9,372,363	6,864,546	6,398,762	159,452	(7,590,526)	61,183,893
Interest income	13,583,980	3,625,573	5,160,030	11,257,827	7,250,593	2,976,973	730,558	26,297	(7,112,294)	37,499,537
Interest expense	(1,966,938)	(1,410,852)	(3,107,205)	(7,290,983)	(3,936,088)	(904,874)	-	(263)	7,112,294	(11,504,909)
Net interest income	11,617,042	2,214,721	2,052,825	3,966,844	3,314,505	2,072,099	730,558	26,034	-	25,994,628
Net fee and commission income	3,277,190	3,623,318	606,616	292,293	569,936	1,129,933	187,643	18,388	(45,748)	9,659,569
Gain on foreign currency and investment activities	163,522	18,672	39,976	1,785,626	1,469,833	188,220	67,668	54,034	(46,216)	3,741,335
Premium income	-	-	-	-	-	2,495,771	5,367,961	-	(222,111)	7,641,621
Other operating income	10,858	5,353	699	158,153	79,733	73,649	44,932	60,735	(233,409)	200,703
Total operating income	15,068,612	5,862,064	2,700,116	6,202,916	5,434,007	5,959,672	6,398,762	159,191	(547,484)	47,237,856
Staff costs	5,128,981	465,143	154,839	148,561	629,457	711,055	832,581	73,821	(34,468)	8,109,970
Provision for credit losses	861,777	902,937	7,203	-	3,520	-	-	-	-	1,775,437
Policyholders' and annuitants' benefits and reserves	-	-	-	-	-	733,280	3,142,039	-	-	3,875,319
Depreciation and amortisation	196,012	208,167	7,611	41,493	32,942	54,837	73,711	1,096	71,642	687,511
Impairment losses on securities	-	-	-	-	38,319	41,446	-	-	-	79,765
Other operating expenses	2,785,072	1,902,475	529,186	849,737	1,062,752	882,138	816,778	33,784	(315,325)	8,546,597
Total operating expenses	8,971,842	3,478,722	698,839	1,039,791	1,766,990	2,422,756	4,865,109	108,701	(278,151)	23,074,599
Operating profit before allocated costs	6,096,770	2,383,342	2,001,277	5,163,125	3,667,017	3,536,916	1,533,653	50,490	(269,333)	24,163,257
Allocated costs	(4,203,436)	(1,025,031)	(558,988)	(270,689)	-	-	-	-	-	(6,058,144)
Operating profit c/fwd	1,893,334	1,358,311	1,442,289	4,892,436	3,667,017	3,536,916	1,533,653	50,490	(269,333)	18,105,113

National Commercial Bank Jamaica Limited

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5. Segment Reporting (Continued)

Year ended September 30, 2015	Consumer and SME		Corporate Banking	Treasury & Correspondent Banking	Wealth, Asset Management& Investment Banking	Life Insurance & Pension Fund Management	General Insurance	Other	Eliminations	Total
	Retail & SME	Payment Services								
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Operating profit b/fwd	1,893,334	1,358,311	1,442,289	4,892,436	3,667,017	3,536,916	1,533,653	50,490	(269,333)	18,105,113
Unallocated corporate expenses										(2,103,932)
Loss on dilution of Associate										(50,748)
Share of profit of associates										433,666
Profit before Taxation										16,384,099
Taxation										(4,082,309)
Net Profit										12,301,790
Segment assets	187,552,392	15,934,230	68,618,715	169,490,979	142,934,629	40,550,379	13,275,472	1,002,285	(124,477,454)	514,881,627
Associates										6,307,220
Unallocated assets										2,626,314
Total assets										523,815,161
Segment liabilities	167,379,411	9,179,603	56,457,970	159,502,976	120,704,477	27,828,069	8,455,060	153,526	(116,553,648)	433,107,444
Unallocated liabilities										2,313,505
Total liabilities										435,420,950
Capital expenditure	1,361,916	747,434	100,422	35,192	156,803	163,060	88,894	13,920	-	2,667,641

National Commercial Bank Jamaica Limited
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5. Segment Reporting (Continued)

Year ended September 30, 2015	Total per segment report $'000	Allocated expenses $'000	Unallocated corporate expenses $'000	Total per income statement $'000
Reconciliation to income statement				
Interest income	37,499,537	(9,823)	(3,830)	37,485,884
Interest expense	(11,504,909)	(12,192)	(4,753)	(11,521,854)
Net fee and commission income	9,659,569	91,969	35,855	9,787,393
Gain on foreign currency and investment activities	3,741,335	8,420	3,282	3,753,037
Premium income	7,641,621	-	-	7,641,621
Other operating income and dividend income	200,703	90,751	35,380	326,834
Staff costs	(8,109,970)	(2,757,470)	(1,075,042)	(11,942,482)
Provision for credit losses	(1,775,437)	(17,064)	(6,657)	(1,799,158)
Policyholders' and annuitants' benefits and reserves	(3,875,319)	-	-	(3,875,319)
Depreciation and amortisation	(687,511)	(630,306)	(245,734)	(1,563,551)
Impairment losses on securities	(79,765)	-	-	(79,765)
Other operating expenses	(8,546,597)	(2,822,429)	(842,433)	(12,211,459)
Operating profit	24,163,257	(6,058,144)	(2,103,932)	16,001,181

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2015

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5. Segment Reporting (Continued)

Year ended September 30, 2014	**Consumer and SME**									
Restated	**Retail & SME**	**Payment Services**	**Corporate Banking**	**Treasury & Correspondent Banking**	**Wealth, Asset Management& Investment Banking**	**Life Insurance & Pension Fund Management**	**General Insurance**	**Other**	**Eliminations**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
External revenue	14,368,876	8,525,518	4,746,805	8,494,666	9,026,591	6,089,227	6,128,268	42,883	-	57,422,834
Revenue from other segments	2,452,092	-	49,121	3,063,267	1,026,398	136,468	45,405	97,135	(6,869,886)	-
Total revenue	16,820,968	8,525,518	4,795,926	11,557,933	10,052,989	6,225,695	6,173,673	140,018	(6,869,886)	57,422,834
Interest income	13,295,698	3,271,276	4,299,358	10,192,930	8,242,586	3,002,781	712,291	30,181	(6,148,016)	36,899,085
Interest expense	(1,954,760)	(1,201,088)	(2,794,574)	(6,650,298)	(4,817,974)	(942,619)	-	(157)	6,148,016	(12,213,454)
Net interest income	11,340,938	2,070,188	1,504,784	3,542,632	3,424,612	2,060,162	712,291	30,024	-	24,685,631
Net fee and commission income	3,182,190	3,279,796	434,265	238,324	214,623	1,063,821	157,679	50,974	(83,409)	8,538,263
Gain on foreign currency and investment activities	169,349	15,456	46,020	854,405	1,492,984	114,549	46,920	2,083	(151,396)	2,590,370
Premium income	-	-	-	-	-	1,995,203	5,210,953	-	(208,195)	6,997,961
Other operating income	40,664	7,220	3,490	264,848	101,031	49,341	45,830	56,780	(322,645)	246,559
Total operating income	14,733,141	5,372,660	1,988,559	4,900,209	5,233,250	5,283,076	6,173,673	139,861	(765,645)	43,058,784
Staff costs	5,225,703	396,999	207,585	134,651	567,013	516,288	788,465	86,362	(36,954)	7,886,112
Provision for credit losses	959,678	863,136	396,467	-	(3,457)	-	-	-	-	2,215,824
Policyholders' and annuitants' benefits and reserves	-	-	-	-	-	1,233,069	3,164,613	-	-	4,397,682
Depreciation and amortisation	162,472	124,858	7,522	59,669	18,796	6,347	66,604	1,400	71,642	519,310
Impairment losses on securities	-	-	-	-	200,085	-	-	-	-	200,085
Other operating expenses	2,164,663	1,556,318	452,153	582,143	710,962	446,830	870,147	23,624	(342,372)	6,464,468
Total operating expenses	8,512,516	2,941,311	1,063,727	776,463	1,493,399	2,202,534	4,889,829	111,386	(307,684)	21,683,481
Operating profit before allocated costs	6,220,625	2,431,349	924,832	4,123,746	3,739,851	3,080,542	1,283,844	28,475	(457,961)	21,375,303
Allocated costs	(4,559,800)	(704,251)	(354,610)	(231,510)	-	-	-	-	-	(5,850,171)
Operating profit c/fwd	1,660,825	1,727,098	570,222	3,892,236	3,739,851	3,080,542	1,283,844	28,475	(457,961)	15,525,132

National Commercial Bank Jamaica Limited

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5. Segment Reporting (Continued)

Year ended September 30, 2014 Restated	Consumer and SME Retail & SME	Consumer and SME Payment Services	Corporate Banking	Treasury & Correspondent Banking	Wealth, Asset Management & Investment Banking	Life Insurance & Pension Fund Management	General Insurance	Other	Eliminations	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Operating profit b/fwd	1,660,825	1,727,098	570,222	3,892,236	3,739,851	3,080,542	1,283,844	28,475	(457,961)	15,525,132
Unallocated corporate expenses										(1,608,425)
Negative goodwill on acquisition of subsidiary										301,441
Share of profit of associates										902,696
Gain on disposal of investment in associate										349,042
Profit before Taxation										15,469,886
Taxation										(3,142,766)
Net Profit										12,327,120
Segment assets	159,277,187	16,081,788	65,364,477	169,365,676	132,482,665	37,999,615	11,640,907	973,409	(105,008,911)	488,176,813
Associates										5,913,804
Unallocated assets										5,254,475
Total assets										499,345,092
Segment liabilities	148,263,789	10,866,897	57,183,083	148,713,326	112,162,313	26,908,434	7,746,516	164,315	(97,886,479)	414,122,194
Unallocated liabilities										3,376,515
Total liabilities										417,498,709
Capital expenditure	1,626,139	448,531	61,754	53,583	106,386	300,183	153,880	19,902	-	2,770,358

National Commercial Bank Jamaica Limited

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

Year ended September 30, 2014	**Total per segment report $'000**	**Allocated expenses $'000**	**Unallocated corporate expenses $'000**	**Total per income statement $'000**
Reconciliation to income statement				
Interest income	36,899,085	429	113	36,899,627
Interest expense	(12,213,454)	(20,181)	(5,325)	(12,238,960)
Net fee and commission income	8,538,263	101,992	26,916	8,667,171
Gain on foreign currency and investment activities	2,590,370	2,275	-	2,592,645
Premium income	6,997,961	-	-	6,997,961
Other operating income and dividend income	246,559	70,136	18,510	335,205
Staff costs	(7,886,112)	(2,880,273)	(757,545)	(11,523,930)
Provision for credit losses	(2,215,824)	(8,797)	(2,328)	(2,226,949)
Policyholders' and annuitants' benefits and reserves	(4,397,682)	-	-	(4,397,682)
Depreciation and amortisation	(519,310)	(576,067)	(152,026)	(1,247,403)
Impairment losses on securities	(200,085)	-	-	(200,085)
Other operating expenses	(6,464,468)	(2,539,685)	(736,740)	(9,740,893)
Operating profit	21,375,303	(5,850,171)	(1,608,425)	13,916,707

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

6 Net Interest Income

	The Group		The Bank	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Interest income				
Loans and advances	20,154,437	18,971,549	19,987,908	18,883,193
Investment securities –				
Available-for-sale and loans and receivables	17,106,837	17,779,300	7,295,764	7,126,811
At fair value through profit or loss	64,783	36,146	-	-
Reverse repurchase agreements	117,038	75,281	65,372	80,373
Deposits and other	42,789	37,351	40,999	37,478
	37,485,884	36,899,627	27,390,043	26,127,855
Interest expense				
Customer deposits	2,677,047	3,107,302	2,726,260	2,829,733
Repurchase agreements	5,147,609	6,189,989	2,323,944	2,728,182
Policyholders' benefits	901,534	935,560	-	-
Securitisation arrangements	1,817,550	1,013,564	1,817,550	1,013,564
Other borrowed funds and amounts due from other banks	976,874	992,545	714,226	1,141,150
Other interest expenses	1,240	-	1,233	-
	11,521,854	12,238,960	7,583,213	7,712,629
Net interest income	25,964,030	24,660,667	19,806,830	18,415,226

National Commercial Bank Jamaica Limited
Notes to the Financial Statements
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7. Net Fee and Commission Income

	The Group		The Bank	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Fee and commission income				
Retail and SME	3,332,588	3,294,180	3,301,638	3,217,100
Payment services	5,829,913	5,163,073	5,829,913	5,169,573
Corporate banking	615,124	445,134	615,124	445,134
Treasury and correspondent banking	257,138	202,455	296,885	244,632
Wealth, asset management &investment banking	569,936	212,591	-	-
Life Insurance and pension fund management	1,129,933	1,063,821	-	-
General insurance	187,643	157,679	-	-
Other	54,242	58,463	35,854	39,194
	11,976,517	10,597,396	10,079,414	9,115,633
Fee and commission expense				
Payment services	2,189,124	1,930,225	2,189,124	1,930,225
	9,787,393	8,667,171	7,890,290	7,185,408

8. Gain/(Loss) on Foreign Currency and Investment Activities

	The Group		The Bank	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Net foreign exchange gains	1,576,274	1,133,957	1,147,304	597,553
Debt securities held for trading	(3,811)	5,806	-	-
Gains on other debt securities	2,230,945	1,158,578	846,695	292,894
(Loss)/gain on embedded put option	(33,061)	79,746	(33,061)	79,746
Equity securities	(8,310)	192,558	4,023	43,722
Investment property (Note 26)	(9,000)	22,000	-	-
	3,753,037	2,592,645	1,964,961	1,013,915

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

National Commercial Bank Jamaica Limited

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(expressed in Jamaican dollars unless otherwise indicated)

9. Premium Income

	The Group	
	2015	**2014**
	$'000	**$'000**
Annuity contracts	1,377,422	1,171,863
Life insurance contracts	1,084,121	823,340
General insurance contracts	5,180,078	5,002,758
	7,641,621	6,997,961

10. Dividend Income

	The Group		The Bank	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Subsidiaries	-	-	2,333,310	1,615,110
Associates	-	-	137,227	205,495
Other equity securities	126,095	160,586	22,760	57,338
	126,095	160,586	2,493,297	1,877,943

11. Staff Costs

	The Group		The Bank	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Wages, salaries, allowances and benefits	10,099,723	9,747,391	8,299,896	8,071,893
Payroll taxes	972,486	901,083	801,734	749,410
Pension costs – defined contribution plans	316,261	319,086	274,816	256,437
Pension costs – defined benefit plans (Note 37)	38,719	(9,798)	-	(46,874)
Termination benefits	120,837	365,778	78,061	300,597
Other post-employment benefits (Note 37)	394,456	200,390	247,135	200,390
	11,942,482	11,523,930	9,701,642	9,531,853

Wages, salaries, allowances and benefits

Included in wages, salaries, allowances and benefits are base salary for executives, senior managers, managers, clerical and non-clerical employees. Amounts are also included for annual incentive and merit awards based on performance, annual and non-annual lump-sum fringe benefits, fringe benefits for executives and senior managers as well as those that have been agreed based on collective bargaining with the trade unions representing managers, clerical and non-clerical staff.

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

Pension costs – defined contribution plan

The Group contributes a fixed 5% of base salary for pensionable staff into a defined contribution plan and there is no legal or constructive obligation to make further contributions.

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12. Policyholders' and Annuitants' Benefits and Reserves

	The Group	
	2015	**2014**
	$'000	**$'000**
Annuity contracts	1,976,695	725,718
Life insurance contracts	(1,243,415)	507,351
General insurance contracts	3,142,039	3,164,613
	3,875,319	4,397,682

The above amounts include insurance claims by policyholders amounting to $159,551,000 (2014 –$859,290,000) in respect of life insurance and annuity contracts and $2,620,472,000 (2014 – $2,311,717,000) in respect of general insurance contracts.

13. Impairment Losses on Securities

This represents impairment losses recognised by certain subsidiaries of the Bank on investment securities classified as available-for-sale and loans and receivables.

14. Other Operating Expenses

	The Group		The Bank	
		Restated		**Restated**
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Auditors' remuneration - Current	72,795	59,746	25,774	24,600
- Prior year	-	9,000	-	-
Credit card rebates	610,906	582,188	610,906	582,188
Insurance premiums and commissions	495,697	516,876	384,538	359,421
Irrecoverable general consumption tax and asset tax	2,551,744	1,440,996	1,849,898	1,205,265
License and transaction processing fees	983,882	787,527	828,000	674,561
Marketing, customer care, advertising and donations	1,427,177	938,464	1,093,167	727,375
Operating lease rentals	191,823	178,118	130,961	134,801
Premium tax on life insurance contracts	25,759	84,032	-	-
Property, vehicle and ABM maintenance and utilities	2,379,249	2,246,448	2,155,021	2,012,824
Receivership expenses	110,148	178,437	110,148	178,437
Stationery	214,081	160,007	165,077	125,982
Technical, consultancy and professional fees	1,419,352	973,265	1,039,703	758,534
Travelling, courier and telecommunication	894,225	859,868	780,538	762,905
Other	834,621	725,921	535,265	459,395
	12,211,459	9,740,893	9,708,996	8,006,288

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

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15. Taxation

	The Group		The Bank	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Current:				
Income tax	4,547,118	2,782,167	2,400,356	1,370,510
Investment income tax at 15%	43,105	310,256	-	-
Prior year under/(over) provision	123,729	(42,600)	149,097	(16,655)
Deferred income tax (Note 29)	(631,643)	92,943	(676,918)	7,472
	4,082,309	3,142,766	1,872,535	1,361,327

On September 29, 2015, the Provisional Collection of Tax (Income Tax) Order, 2015 was issued amending the income tax regime for life insurance companies effective for the year of assessment 2015. With effect from January 1, 2015, the Group's life insurance subsidiary is subject to income tax on its taxable profits at a rate of 25%. Prior to the amendment, the subsidiary was subject to tax on its investment income net of applicable expenses at a rate of 15% and was also subject to a premium tax of 3% on its premium income. Accordingly, for the year ended September 30, 2015:

- income tax at 25% on the taxable profits of the life insurance subsidiary for the nine-month period from January 1, 2015 to September 30, 2015 as well as investment income tax for the three-month period from October 1, 2014 to December 31, 2014 are included in the Group's taxation charge, and
- premium tax at 3% for the three-month period from October 1, 2014 to December 31, 2014 is included in other operating expenses in Note 14.

The tax on profit differs from the theoretical amount that would arise using the basic statutory rate of 15% and 25% for the life insurance subsidiary, 33⅓% for the Bank and other "regulated companies", 21% for the subsidiary incorporated in the United Kingdom and 25% for all other subsidiaries (with the exception of the subsidiaries incorporated in Cayman Islands and the NCB Employee Share Scheme which are not subject to income tax), as follows:

	The Group		The Bank	
		Restated		**Restated**
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Profit before tax	16,384,099	15,469,886	9,761,017	9,579,665
Tax calculated at actual tax rates	4,942,825	4,447,211	3,253,673	3,193,221
Income not subject to tax or in respect of which tax has been remitted	(1,392,149)	(1,243,765)	(913,090)	(1,439,521)
Expenses not deductible for tax purposes	541,075	196,655	260,807	122,656
Effect of share of profit of associates included net of tax	(103,393)	(224,189)	-	-
Effect of change in tax rate applicable to life insurance subsidiary	48,069	-	-	-
Effect of different tax rates applicable to dividend income	(52,022)	(91,650)	(827,682)	(616,666)
Deferred tax not provided in prior year	129,191	85,733	135,104	85,733
Other	(31,287)	(27,229)	(36,277)	15,904
Taxation expense	4,082,309	3,142,766	1,872,535	1,361,327

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16. Earnings per Stock Unit

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

		Restated
	2015	**2014**
Net profit attributable to stockholders ($'000)	12,301,790	12,327,120
Weighted average number of ordinary stock units in issue ('000)	2,461,469	2,461,469
Basic and diluted earnings per stock unit ($)	5.00	5.01

17. Cash in Hand and Balances at Central Banks

	The Group		**The Bank**	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Cash in hand	3,570,891	3,470,645	3,564,901	3,460,677
Balances with Central Banks other than statutory reserves	2,056,351	3,490,715	2,017,172	3,488,170
Included in cash and cash equivalents	5,627,242	6,961,360	5,582,073	6,948,847
Statutory reserves with Central Banks – interest-bearing	8,501,646	9,224,527	8,501,646	9,224,527
Statutory reserves with Central Banks – non-interest-bearing	14,745,572	13,608,690	14,619,919	13,510,236
	28,874,460	29,794,577	28,703,638	29,683,610
Interest receivable	630	538	630	538
	28,875,090	29,795,115	28,704,268	29,684,148

Statutory reserves with Central Banks represent the required ratio of prescribed functional and foreign currency liabilities. They are not available for investment, lending or other use by the Group.

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18. Due from Other Banks

	The Group		The Bank	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Items in course of collection from other banks	812,817	1,519,421	812,659	1,517,950
Placements with other banks	24,867,558	20,254,818	22,059,797	18,915,811
	25,680,375	21,774,239	22,872,456	20,433,761
Interest receivable	18,200	18,325	86	127
	25,698,575	21,792,564	22,872,542	20,433,888
Less: Placements pledged as collateral for letters of credit (Note 24)	(1,634,342)	(1,399,009)	(1,634,342)	(1,399,009)
	24,064,233	20,393,555	21,238,200	19,034,879

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

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

	The Group		The Bank	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Due from other banks	24,064,233	20,393,555	21,238,200	19,034,879
Less: amounts restricted to the settlement of obligations under securitisation arrangements	(641,035)	(246,232)	(641,035)	(246,232)
	23,423,198	20,147,323	20,597,165	18,788,647

19. Derivative Financial Instruments

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

	The Group		The Bank	
	2015	2014	2015	2014
Assets	$'000	$'000	$'000	$'000
Embedded put option	433,989	467,050	433,989	467,050
Foreign currency forward contracts	-	61,958	-	61,958
Equity indexed options	52,794	52,660	-	-
	486,783	581,668	433,989	529,008
Liabilities				
Equity indexed options	52,794	52,660	-	-
	52,794	52,660	-	-

19. Derivative Financial Instruments (Continued)

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

Embedded put option

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

Foreign currency forward contracts

Currency forwards as at September 30, 2015 was nil (2014 – US$20,000,000). The fair values of outstanding foreign currency forward contracts at September 30, 2014 net to an asset of $61,958,000 (US$551,000). The currency forward contracts are settled on a gross basis. The contracts expire within 30-60 days.

Equity indexed options

The derivative liability represents the equity index option element of principal protected notes issued by the Group (Note 33(h)) and is carried at fair value.

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

20. Investment Securities at Fair Value through Profit or Loss

	The Group	
	2015	**2014**
	$'000	**$'000**
Government of Jamaica debt securities	467,741	231,305
Government of Jamaica guaranteed corporate bonds	14,606	19,228
	482,347	250,533
Other corporate bonds	146,546	47,112
Foreign government	81,039	78,076
Quoted equity securities	221,503	142,020
	931,435	517,741
Interest receivable	11,749	5,652
	943,184	523,393

21. Reverse Repurchase Agreements

The Group and the Bank enter 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 $5,566,000 (2014 – $14,275,000) and $39,000 (2014 – $15,293,000) for the Group and the Bank, respectively.

At September 30, 2015, the Group and the Bank held $3,188,236,000 (2014 – $1,727,393,000) and $2,806,608,000 (2014 – $1,896,909,000), respectively, of securities, mainly representing Government of Jamaica debt securities, as collateral for reverse repurchase agreements.

Included in reverse repurchase agreements for the Group and the Bank are securities with an original maturity of less than 90 days amounting to $1,698,845,000 (2014 – $1,008,500,000) and $2,601,504,000 (2014 – $40,000,000), respectively, which are regarded as cash equivalents for purposes of the statement of cash flows.

22. Loans and Advances

	The Group		The Bank	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Gross loans and advances	169,232,275	161,863,399	166,493,541	160,558,365
Provision for credit losses	(4,435,188)	(4,906,855)	(4,419,629)	(4,895,472)
	164,797,087	156,956,544	162,073,912	155,662,893
Interest receivable	607,519	673,456	601,272	672,975
	165,404,606	157,630,000	162,675,184	156,335,868

The current portion of loans and advances amounted to $35,802,564,000 (2014 – $35,954,870,000) for the Group and $35,210,433,000 (2014 – $35,420,869,000) for the Bank.

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

	The Group		The Bank	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Balance at beginning of year	4,906,855	3,226,544	4,895,472	3,221,092
On acquisition of subsidiary	-	8,898	-	-
Provided during the year	2,448,421	2,609,186	2,444,901	2,609,186
Recoveries	(649,263)	(382,237)	(649,263)	(378,780)
Net charge to the income statement	1,799,158	2,226,949	1,795,638	2,230,406
Write-offs	(2,270,825)	(555,536)	(2,271,481)	(556,026)
Balance at end of year	4,435,188	4,906,855	4,419,629	4,895,472

The aggregate amount of non-performing loans on which interest was not being accrued amounted to $8,542,205,000 as at September 30, 2015 (30 September 2014 –$8,690,740,000).

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22. Loans and Advances (Continued)

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

	The Group and The Bank	
	2015	**2014**
	$'000	**$'000**
Specific provision	8,560,445	8,751,841
General provision	1,580,865	1,530,915
	10,141,310	10,282,756
Excess of regulatory provision over IFRS provision recognised in the Bank reflected in non-distributable loan loss reserve (Note 41)	5,706,122	5,375,901

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

	The Group	
	2015	**2014**
	$'000	**$'000**
Available-for-sale securities – at fair value		
Debt securities –		
Government of Jamaica and Bank of Jamaica	203,585,941	196,510,071
Government of Jamaica guaranteed corporate bonds	2,770,895	7,023,356
	206,356,836	203,533,427
Other corporate bonds	8,602,279	7,851,319
Foreign governments	2,331,787	4,372,082
Equity securities –		
Quoted	203,156	703,158
Unquoted	61,188	53,077
Unit Trust investments	285,619	174,342
	217,840,865	216,687,405
Loans and receivables – at amortised cost		
Debt securities –		
Government of Jamaica and Bank of Jamaica	40,147,372	28,331,452
Government of Jamaica guaranteed corporate bonds	3,841,316	7,779,691
	43,988,688	36,111,143
Other corporate bonds	9,552,733	6,988,848
	53,541,421	43,099,991
Interest receivable	3,662,230	3,859,968
Total investment securities	275,044,516	263,647,364

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

	The Group	
	2015	**2014**
	$'000	**$'000**
Total investment securities, as above	275,044,516	263,647,364
Less: Pledged securities (Note 24)	(109,025,242)	(158,089,603)
Amount reported on the statement of financial position	166,019,274	105,557,761

	The Bank	
	2015	**2014**
	$'000	**$'000**
Available-for-sale securities – at fair value		
Debt securities –		
Government of Jamaica and Bank of Jamaica	89,271,681	95,747,802
Government of Jamaica guaranteed corporate bonds	1,347,444	338,384
	90,619,125	96,086,186
Other corporate bonds	3,144,567	2,710,034
Foreign governments	-	1,551,089
Equity securities –		
Quoted	85,436	370,399
Unquoted	18,255	18,255
	93,867,383	100,735,963
Loans and receivables – at amortised cost		
Debt securities –		
Government of Jamaica and Bank of Jamaica	24,666,170	11,588,484
Government of Jamaica guaranteed corporate bonds	-	1,520,828
	24,666,170	13,109,312
Other corporate bonds	1,535,341	1,073,520
	26,201,511	14,182,832
Interest receivable	1,538,515	1,547,033
Total investment securities	121,607,409	116,465,828

23. Investment Securities Classified as Available-for-sale and Loans and Receivables (Continued)

	The Bank	
	2015	**2014**
	$'000	**$'000**
Total investment securities, as above	121,607,409	116,465,828
Less: Pledged securities (Note 24)	(33,756,427)	(77,714,233)
Amount reported on the statement of financial position	87,850,982	38,751,595

The current portion of total investment securities amounted to $14,370,997,000 (2014 - $46,055,269,000) for the Group and $13,306,544,000 (2014 - $14,606,433,000) for the Bank.

Included in investment securities are debt securities with an original maturity of less than 90 days amounting to $1,024,402,000 (2014 - $2,765,182,000) for the Group and $1,012,702,000 (2014 - $2,749,182,000) for the Bank which are regarded as cash equivalents for purposes of the statement of cash flows.

Disclosure in respect of securities reclassified on October 1, 2008 from the available-for-sale category to the loans and receivables category

On October 1, 2008, the Group reclassified Government of Jamaica global bonds and guaranteed corporate bonds from the available-for-sale category to the loans and receivables category due to the market for these securities becoming inactive in October 2008.

The market was determined to be active again on December 1, 2010. The Group had opted to retain the classification of these securities as loans and receivables.

The fair value of these securities at the date of reclassification became their new amortised cost. The accumulated fair value losses included in fair value reserve as at that date were being amortised to profit or loss over the remaining life of the securities.

Effective October 1, 2014, the Group decided to reclassify these securities to available-for-sale.

The fair value reserve (Note 40) at September 30, 2014 included fair value losses in relation to the reclassified securities not yet derecognised as at the date of the statement of financial position amounting to $815,488,000 for the Group and $495,180,000 for the Bank.

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23. Investment Securities Classified as Available-for-sale and Loans and Receivables (Continued)

The carrying value (excluding accrued interest) and fair value of these securities as at September 30, 2014 were as follows:

	The Group		The Bank	
	Carrying Value $'000	Fair Value $'000	Carrying Value $'000	Fair Value $'000
At September 30, 2014	21,133,542	21,597,710	9,718,166	10,080,148

The amounts recognised in the income statement for the year ended September 30, 2014 in respect of these securities were as follows:

	The Group	The Bank
	2014	2014
	$'000	$'000
Interest income	2,054,654	867,874
Foreign exchange gains	1,856,212	702,244

Fair value gains of $464,168,000 for the Group and $361,982,000 for the Bank would have been recognised in other comprehensive income during the year ended September 30, 2014 had these securities been reclassified to available-for-sale effective October 1, 2013.

24. Pledged Assets

	The Group		The Bank	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Investment securities pledged as collateral for:				
Repurchase agreements	108,467,272	157,530,615	33,334,714	77,260,644
Clearing services	421,713	453,589	421,713	453,589
Investment securities held as security in respect of life insurance subsidiary	136,257	105,399	-	-
	109,025,242	158,089,603	33,756,427	77,714,233
Placements with other banks pledged as collateral for letters of credit	1,634,342	1,399,009	1,634,342	1,399,009
	110,659,584	159,488,612	35,390,769	79,113,242

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

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25. Investment in Associates

	The Group		The Bank	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
At the beginning of the year	5,913,804	8,512,251	2,208,203	2,679,737
Disposals	-	(2,893,280)	-	(471,534)
Transfer (to)/from available-for-sale investments	(112,565)	90,000	-	-
Share of profits	433,666	902,696	-	-
Loss on dilution	(50,748)	-	-	-
Dividends received:				
Jamaica Money Market Brokers	(137,227)	(141,506)	-	-
Kingston Wharves	-	(83,956)	-	-
Other	(5,704)	(4,666)	-	-
Movement in other reserves	265,994	(467,735)	-	-
At end of year	6,307,220	5,913,804	2,208,203	2,208,203

In July 2015, Kingston Properties Limited increased its ordinary share capital by way of a rights issue which resulted in a dilution of the Group's interest from 25.17% to 10.76%. The Group's holdings have therefore been reclassified from investment in associates to investment securities. In September 2014, the Group disposed of its entire interest in Kingston Wharves Limited.

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

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

	The Group			
	Carrying Value	**JSE Indicative Value**	**Carrying Value**	**JSE Indicative Value**
	2015	**2015**	**2014**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Jamaica Money Market Brokers Limited	6,237,303	3,271,586	5,632,564	3,257,975
Kingston Properties Limited	-	-	211,331	66,674
	6,237,303	3,271,586	5,843,895	3,324,649

	The Bank			
	Carrying Value	**JSE Indicative Value**	**Carrying Value**	**JSE Indicative Value**
	2015	**2015**	**2014**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Jamaica Money Market Brokers Limited	2,208,203	3,271,586	2,208,203	3,257,975
	2,208,203	3,271,586	2,208,203	3,257,975

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25. Investment in Associates (Continued)

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

	Jamaica Money Market Brokers Limited	Other individually immaterial associates	Total
	$'000	$'000	$'000
2015			
Current assets	34,373,078	32,997	34,406,075
Non-current assets	188,172,693	200,881	188,373,574
Current liabilities	151,247,464	13,082	151,260,546
Non-current liabilities	48,941,729	70,301	49,012,030
Revenue	18,993,242	132,655	19,125,897
Profit or loss from continuing operations	2,071,342	498	2,071,840
Other comprehensive income	1,437,691	-	1,437,691
Total comprehensive income	3,509,033	498	3,509,531
Percentage ownership	26.30%		
Net assets of the associate - 100%	22,356,578		
Non-controlling interests	(816,818)		
Adjusted net assets	21,539,760		
Group share of adjusted net assets	5,664,957		
Fair values of intangible assets recognised on acquisition	862,477		
Accumulated amortisation	(290,131)		
Carrying amount	6,237,303		

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25. Investment in Associates (Continued)

	Kingston Wharves Limited	Jamaica Money Market Brokers Limited	Other individually immaterial associates	Total
	$'000	$'000	$'000	$'000
2014				
Current assets	3,416,673	34,243,045	298,069	37,957,787
Non-current assets	13,463,961	181,123,542	1,230,162	195,817,665
Current liabilities	975,646	151,715,912	274,128	152,965,686
Non-current liabilities	2,800,826	44,281,354	264,530	47,346,710
Revenue	4,405,600	16,416,932	233,160	21,055,692
Profit or loss from continuing operations	873,471	2,808,716	944	3,683,131
Other comprehensive income	-	(2,456,083)	62,808	(2,393,275)
Total comprehensive income	873,471	(352,633)	122,435	643,273
Percentage ownership		26.30%		
Net assets of the associate - 100%		19,369,321		
Non-controlling interests		(393,707)		
Adjusted net assets		18,975,614		
Group share of adjusted net assets		4,990,586		
Fair values of intangible assets recognised on acquisition		862,477		
Accumulated amortisation		(220,499)		
Carrying amount		5,632,564		

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26. Investment Property

	The Group	
	2015	**2014**
	$'000	**$'000**
Balance at beginning of year	484,500	462,500
Fair value (losses)/gains (Note 8)	(9,000)	22,000
Balance at end of year	475,500	484,500
Income earned from the properties	11,325	11,000
Expenses incurred by the properties	(28,994)	(25,107)

The Group did not classify any properties held under operating leases as investment properties. The properties held are stated at fair market value, as appraised by professional, independent valuators.

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

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27. Intangible Assets

	The Group			
	Trade name $'000	Customer relationships $'000	Computer Software $'000	Total $'000
		2015		
Net book value, at beginning of year	218,429	259,304	1,986,116	2,463,849
Additions	-	-	913,006	913,006
Reclassifications and adjustments	-	-	(264)	(264)
Amortisation charge	(11,949)	(59,694)	(492,385)	(564,028)
Net book value, at end of year	206,480	199,610	2,406,473	2,812,563
Cost	238,974	358,163	6,196,589	6,793,726
Accumulated amortisation	(32,494)	(158,553)	(3,790,116)	(3,981,163)
Closing net book value	206,480	199,610	2,406,473	2,812,563
		2014		
Net book value, at beginning of year	230,378	327,729	1,279,867	1,837,974
On acquisition of subsidiary	-	-	2,092	2,092
Additions	-	-	1,032,921	1,032,921
Reclassifications and adjustments	-	(8,731)	6,845	(1,886)
Amortisation charge	(11,949)	(59,694)	(335,609)	(407,252)
Net book value, at end of year	218,429	259,304	1,986,116	2,463,849
Cost	238,974	358,163	5,283,847	5,880,984
Accumulated amortisation	(20,545)	(98,859)	(3,297,731)	(3,417,135)
Closing net book value	218,429	259,304	1,986,116	2,463,849

27. Intangible Assets (Continued)

	The Bank	
	Computer Software	
	2015	2014
	$'000	$'000
Net book value, at beginning of year	1,707,191	1,207,893
Additions	830,654	818,046
Reclassifications and adjustments	-	6,919
Amortisation charge	(431,009)	(325,667)
Net book value, at end of year	2,106,836	1,707,191

	2015	2014
	$'000	$'000
Cost	5,404,922	4,574,268
Accumulated amortisation	(3,298,086)	(2,867,077)
Net book value	2,106,836	1,707,191

Computer software for the Group and the Bank at year end include items with a cost of $392,123,000 (2014 - $780,227,000) and $392,123,000 (2014 – $551,393,000), respectively, on which no amortisation has yet been charged as these items are in the process of implementation.

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28. Property, Plant and Equipment

	The Group					
	Freehold Land and Buildings	**Leasehold Improvements**	**Motor Vehicles Furniture & Equipment**	**Assets Capitalised Under Finance Leases**	**Work-in-Progress**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cost -						
At October 1, 2013	4,768,573	571,799	6,768,710	617,433	410,091	13,136,606
Additions	129,577	43,771	933,166	180,429	450,494	1,737,437
On acquisition of subsidiary	-	6,646	11,969	-	-	18,615
Disposals	(4,285)	-	(11,770)	(127,947)	-	(144,002)
Transfers	9,933	2,479	276,623	-	(289,035)	-
Reclassifications and adjustments	-	2,591	(2,589)	-	(6,919)	(6,917)
At September 30, 2014	4,903,798	627,286	7,976,109	669,915	564,631	14,741,739
Additions	78,528	17,034	718,748	135,558	804,707	1,754,575
Disposals	(25,535)	(165)	(34,783)	(119,842)	-	(180,325)
Transfers	442,877	14,997	288,846	-	(746,720)	-
Reclassifications and adjustments	-	-	2,606	-	(1,870)	736
At September 30, 2015	5,399,668	659,152	8,951,526	685,631	620,748	16,316,725
Accumulated Depreciation -						
At October 1, 2013	639,812	506,737	5,224,611	326,739	-	6,697,899
Charge for the year	88,859	35,506	576,314	139,472	-	840,151
Disposals	(1,495)	-	(7,882)	(100,803)	-	(110,180)
Reclassifications and adjustments	-	44	(44)	-	-	-
At September 30, 2014	727,176	542,287	5,792,999	365,408	-	7,427,870
Charge for the year	86,973	23,040	722,441	167,069	-	999,523
Disposals	(274)	(166)	(32,501)	(108,606)	-	(141,547)
At September 30, 2015	813,875	565,161	6,482,939	423,871	-	8,285,846
Net Book Value -						
September 30, 2015	4,585,793	93,991	2,468,585	261,760	620,748	8,030,877
September 30, 2014	4,176,622	84,999	2,183,110	304,507	564,631	7,313,869

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28. Property, Plant and Equipment (Continued)

	The Bank					
	Freehold Land and Buildings $'000	Leasehold Improvements $'000	Motor Vehicles Furniture & Equipment $'000	Assets Capitalised Under Finance Leases $'000	Work-in-Progress $'000	Total $'000
Cost -						
At October 1, 2013	4,285,673	490,412	6,310,387	614,900	378,325	12,079,697
Additions	49,839	6,518	818,755	180,429	475,845	1,531,386
Disposals	(4,285)	-	(4,989)	(127,947)	-	(137,221)
Transfers	9,933	2,479	276,623	-	(289,035)	-
Reclassifications and adjustments	-	2,591	(2,591)	-	(6,919)	(6,919)
At September 30, 2014	4,341,160	502,000	7,398,185	667,382	558,216	13,466,943
Additions	31,300	5,254	669,847	135,558	800,603	1,642,562
Disposals	(25,535)	(165)	(29,210)	(119,842)	-	(174,751)
Transfers	442,877	9,263	288,846	-	(740,985)	
At September 30, 2015	4,789,802	516,352	8,327,668	683,098	617,834	14,934,754
Accumulated Depreciation -						
At October 1, 2013	636,348	447,903	5,105,450	325,605	-	6,515,306
Charge for the year	63,876	22,842	530,827	139,134	-	756,679
Disposals	(1,495)	-	(4,970)	(113,699)	-	(120,164)
Reclassifications and adjustments	-	44	(44)	-	-	-
At September 30, 2014	698,729	470,789	5,631,263	351,040	-	7,151,821
Charge for the year	69,822	9,002	652,893	166,333	-	898,050
Disposals	(274)	(166)	(28,950)	(108,606)	-	(137,996)
At September 30, 2015	768,277	479,625	6,255,206	408,767	-	7,911,875
Net Book Value -						
September 30, 2015	4,021,525	36,727	2,072,462	274,331	617,834	7,022,879
September 30, 2014	3,642,431	31,211	1,766,922	316,342	558,216	6,315,122

The carrying value of assets capitalised under finance leases and computer equipment pledged as collateral amounted to $319,257,000 (2014 – $320,679,000).

29. Deferred Income Taxes

Deferred income taxes are calculated on all temporary differences under the liability method using a tax rate of 25% (2014: 15%) for the life insurance subsidiary, 33⅓% for the Bank and other "regulated companies", 21% for the subsidiary incorporated in the United Kingdom and 25% for all other subsidiaries; with the exception of the subsidiaries incorporated in Cayman Islands and the NCB Employee Share Scheme which are not subject to income tax.

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

	The Group		The Bank	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Deferred tax assets	(70,242)	(23,390)	-	-
Deferred tax liabilities	1,793,557	2,455,791	1,570,735	2,274,191
Net liability at end of year	1,723,315	2,432,401	1,570,735	2,274,191

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

	The Group		The Bank	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Net liability at beginning of year	2,432,401	2,381,411	2,274,191	2,176,182
Deferred tax charged in the income statement (Note 15)	(631,643)	92,943	(676,918)	7,472
Deferred tax charged/(credited) to other comprehensive income	(77,443)	(41,953)	(26,538)	90,537
Net liability at end of year	1,723,315	2,432,401	1,570,735	2,274,191

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

	The Group		The Bank	
		Restated		**Restated**
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Deferred tax assets to be recovered after more than 12 months	(1,307,072)	(1,022,700)	(1,014,831)	(827,789)
Deferred tax liabilities to be settled after more than 12 months	3,396,499	3,181,511	2,683,136	3,159,892

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29. Deferred Income Taxes (Continued)

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

	The Group		The Bank	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Deferred income tax assets:				
Property, plant and equipment	16,716	2,528	-	-
Investment securities at fair value through profit or loss	-	10,789	-	-
Investment securities classified as available-for-sale and loans and receivables	310,060	291,735	105,908	128,145
Pensions and other post-retirement benefits	980,296	728,437	908,923	699,644
Interest payable	195,885	279,566	-	-
Other temporary differences	251,965	128,512	108,590	85,882
	1,754,922	1,441,567	1,123,421	913,671
Deferred income tax liabilities:				
Property, plant and equipment	138,289	142,968	58,142	142,944
Investment securities at fair value through profit or loss	6,747	-	-	-
Investment securities classified as available-for-sale and loans and receivables	99,608	3,359	-	-
Interest receivable	506,285	579,622	-	-
Unrealised foreign exchange gains	1,275,738	1,756,503	1,255,162	1,738,267
Loan loss provisions	1,369,832	1,278,681	1,369,832	1,278,681
Fair value gains on derivatives	11,020	27,970	11,020	27,970
Other temporary differences	70,718	84,865	-	-
	3,478,237	3,873,968	2,694,156	3,187,862
Net deferred tax liability	1,723,315	2,432,401	1,570,735	2,274,191

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29. Deferred Income Taxes (Continued)

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

	The Group		The Bank	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Property, plant and equipment	(18,867)	51,672	(84,802)	45,996
Investment securities	32,810	259,541	-	-
Loan loss provisions	91,151	19,876	91,151	19,876
Pensions and other post-retirement benefits	(122,555)	(37,288)	(69,353)	(38,687)
Interest receivable	(73,337)	(31,862)	-	-
Interest payable	83,681	(68,026)	-	-
Fair value (losses)/gains on derivatives	(16,950)	27,970	(16,950)	27,970
Unrealised foreign exchange gains and losses	(408,765)	(209,376)	(483,105)	(224,218)
Other temporary differences	(198,811)	80,436	(113,859)	176,535
	(631,643)	92,943	(676,918)	7,472

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

	The Group		The Bank	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Unrealised gains on available-for-sale investments	305,276	356,140	138,164	264,606
Realised fair value losses/(gains) on sale and maturity of investments	(253,415)	(311,918)	(24,776)	(80,685)
Remeasurement of the post-employment benefit obligation	(129,304)	(86,175)	(139,926)	(93,384)
	(77,443)	(41,953)	(26,538)	90,537

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30. Other Assets

	The Group		The Bank	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Due from merchants, financial institutions, clients and payment systems providers	2,614,027	2,632,350	1,861,232	2,266,504
Prepayments	1,213,405	1,291,681	1,086,621	1,167,160
Re-insurance recoverable	217,201	233,573	-	-
Other	795,732	941,931	672,259	806,687
	4,840,365	5,099,535	3,620,112	4,240,351

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

31. Due to Other Banks

	The Group		The Bank	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Items in course of payment	2,645,535	2,573,397	2,641,627	2,550,996
Borrowings from other banks	3,433,429	3,713,379	3,433,429	3,713,379
Deposits from other banks	37,352	22,105	8,722,730	6,271,958
	6,116,316	6,308,881	14,797,786	12,536,333
Interest payable	30,050	27,693	102,756	93,957
	6,146,366	6,336,574	14,900,542	12,630,290

Items in the course of payment primarily represent cheques drawn by the Bank 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 at Central Banks and with banks outside of Jamaica.

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

	The Group		The Bank	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Total due to other banks	6,146,366	6,336,574	14,900,542	12,630,290
Less: amounts with original maturities of greater than 90 days	(3,252,399)	(3,700,768)	(6,324,178)	(11,036,195)
	2,893,967	2,635,806	8,576,364	1,594,095

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32. Obligations under Securitisation Arrangements

	The Group and The Bank	
	2015	**2014**
	$'000	**$'000**
Diversified payment rights		
Principal outstanding – US$125,000,000 (2014 – US$125,000,000)	14,837,588	14,065,825
Merchant voucher receivables		
Principal outstanding – US$250,000,000 (2014 – Nil)	29,675,175	-
	44,512,763	14,065,825
Unamortised transaction fees	(666,151)	(221,265)
	43,846,612	13,844,560
Interest payable	445,452	41,017
Net liability	44,292,064	13,885,577

The current portion of obligations under securitisation arrangements amounted to $989,172,000 (2014 – $995,355,000).

Diversified Payment Rights

The Bank has entered into a number of structured financing transactions involving securitisation of its Diversified Payment Rights. A Diversified Payment Right ("DPR") is a right of the Bank to receive payments from correspondent banks based overseas whenever a payment order is initiated by a person or entity situated overseas in favour of a person or entity situated in Jamaica. Under these securitisation transactions, the Bank assigns its rights to all present and future DPRs to an offshore special purpose vehicle, Jamaica Diversified Payment Rights Company Limited (Note 34), which then issues notes which are secured by DPR flows. The cash flows generated by the DPRs are used by Jamaica Diversified Payment Rights Company Limited to make scheduled principal and interest payments to the note holders and any excess cash is transferred to the Bank, provided no early amortisation event or default has occurred under the terms of the notes.

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

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

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

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

32. Obligations under Securitisation Arrangements (Continued)

Merchant Voucher Receivables

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

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

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

On May 18, 2015, the Bank raised US$250 million through the Merchant Voucher Receivables securitisation transaction. The transaction was structured on a mortgage-style amortization 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.

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33. Other Borrowed Funds

		The Group		The Bank	
		2015	**2014**	**2015**	**2014**
		$'000	**$'000**	**$'000**	**$'000**
(a)	International Finance Corporation	-	3,371,824	-	3,371,824
(b)	Development Bank of Jamaica	4,581,117	4,377,312	4,581,117	4,377,312
(c)	National Export-Import Bank of Jamaica	1,000	14,296	1,000	14,296
(d)	European Investment Bank	-	40,946	-	40,946
(e)	Customer long-term investments	197,839	419,737	-	-
(f)	IBM Global Financing	15,769	78,528	15,769	78,528
(g)	Corporate notes	2,805,078	2,952,825	-	-
(h)	Principal protected notes	654,203	351,887	-	-
(i)	Finance lease obligations	316,653	340,953	302,277	336,369
		8,571,659	11,948,308	4,900,163	8,219,275
Unamortised transaction fees		-	(597)	-	(597)
Interest payable		23,654	45,108	-	17,052
		8,595,313	11,992,819	4,900,163	8,235,730

The current portion of other borrowed funds amounted to $1,123,021,000 (2014 – $3,852,981,000) for the Group and $865,188,000 (2014 – $448,665,000) for the Bank.

(a) In June 2005, the International Finance Corporation (IFC), the private sector financing arm of the World Bank Group, signed an agreement with the Bank for a US$30 million loan facility, repayable over 10 years in seventeen equal installments ending June 15, 2015. Interest on the facility approximated three month US dollar LIBOR plus 275 basis points. A drawdown of US$15 million was made in September 2006. This long-term financing facility was utilised by the Bank for general corporate purposes. The loan was fully repaid on December 15, 2014.

(b) The loans from Development Bank of Jamaica are granted in both Jamaican and US dollars and are utilised by the Bank to finance customers with viable ventures in agricultural, agro-industrial, manufacturing, mining and tourism sectors of the economy. These loans are for terms up to 10 years and at rates ranging from 4 – 10%.

(c) The loans from National Export-Import Bank of Jamaica are granted in Jamaican dollars and are utilised by the Bank to finance customers with viable ventures in agricultural, agro-industrial, manufacturing, mining and tourism sectors of the economy. The loans are for terms up to 4 years at an interest rate of 8%.

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33. Other Borrowed Funds (continued)

(d) The loans from European Investment Bank were disbursed in EUR and USD and were utilised by the Bank for on-lending to customers. The loans were repayable in equal annual installments commencing on December 5, 2008 and ending on December 5, 2014. The average interest rate on the loans disbursed was approximately 7.99%. The loans were fully repaid December 5, 2014.

(e) Customer long-term investments represent investments placed by customers for a minimum period of five (5) years. The investments are at variable interest rates and are not subject to withholding tax if held to maturity. They are repayable between 2015 and 2016 and attract interest at 0.05% - 4.45% (2014: 0.01% - 6.00%) per annum.

(f) The Bank acquired computer equipment which was financed by IBM Global Financing. The loans are secured by a lien on the equipment and are repayable over 1 year at rates up to 1% per annum.

(g) Corporate notes are unsecured fixed rate notes issued in a combination of Jamaican dollars and United States dollars. The notes are repayable between 2015 and 2018 and attract interest at 7.15% in USD and 8.5% in JMD.

(h) The Group has issued principal protected notes which entitle the holders to participate in positive returns on the Euro Stoxx 50 or S&P 500 indices while providing a principal protection feature with or without an annual coupon interest payment. If the return on the index is negative, the holder will obtain the principal invested for the notes. Both the principal and interest payments are indexed to the US dollar. These notes are structured products and comprise a fixed income element accounted for at amortised cost (disclosed above) and a derivative (equity indexed option) element disclosed in Note 19.

(i) The finance lease obligations are as follows:

	The Group		The Bank	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Minimum lease payments under finance leases:				
Not later than 1 year	171,590	172,473	165,127	170,694
Later than 1 year and not later than 5 years	191,516	222,478	180,804	218,166
	363,106	394,951	345,931	388,860
Future finance charges	(46,453)	(53,998)	(43,654	(52,491)
Present value of finance lease obligations	316,653	340,953	302,277	336,369

The present value of finance lease obligations is as follows:

	The Group		The Bank	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Not later than 1 year	143,522	139,963	138,637	138,795
Later than 1 year and not later than 5 years	173,131	200,990	163,640	197,574
	316,653	340,953	302,277	336,369

34. Interests in Structured Entities

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

Consolidated Structured Entities
The Group uses securitisation as a source of financing and a means of risk transfer. Securitisation of its Diversified Payment Rights and Merchant Voucher Receivables (Note 32) is conducted through structured entities, Jamaica Diversified Payment Rights Company Limited and Jamaica Merchant Voucher Receivables Limited, exempted limited liability companies incorporated under the laws of the Cayman Islands. The relationship between the transferred rights and the associated liabilities is that holders of Notes may only look to cash flows from the securitised assets for payments of principal and interest due to them under the terms of their Notes.

Unconsolidated Structured Entity
During the prior year, the Group launched a Unit Trust Scheme comprising three portfolios – the JMD Money Market Portfolio, the JMD High Yield Portfolio and the Caribbean Equity Portfolio. During the year, the Group added three new portfolios to provide customers with investment opportunities in United States currency – 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.

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

	The Group	
	2015	2014
	$'000	$'000
Total assets of the Unit Trust	23,339,965	8,611,903
The Group's interest – Carrying value of units held (included in available-for-sale investment securities – Note 23)	285,619	174,342
Maximum exposure to loss	285,619	174,342
Liability to the Unit Trust in relation to investment in repurchase obligations (included in repurchase obligations on the consolidated statement of financial position)	2,866,991	3,501,772
Total income from the Group's interests	305,165	52,214

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.

35. Liabilities under Annuity and Insurance Contracts

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

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

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

Liabilities under Annuity and Insurance Contracts comprise the following:

	The Group	
	2015	**2014**
	$'000	**$'000**
Liabilities under life insurance and annuity contracts	27,067,026	26,651,746
Liabilities under general insurance contracts	7,622,248	7,579,164
	34,689,274	34,230,910

Liabilities under Life Insurance and Annuity Contracts

	The Group	
	2015	**2014**
	$'000	**$'000**
(a) Composition of liabilities under life insurance and annuity contracts:		
Life assurance fund	23,704,129	23,018,946
Risk reserve	3,227,494	3,535,807
Benefits and claims payable	54,085	33,808
Unprocessed premiums	81,318	63,185
	27,067,026	26,651,746

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35. Liabilities under Annuity and Insurance Contracts (Continued)

Liabilities under Life Insurance and Annuity Contracts (continued)

	The Group	
	2015	**2014**
	$'000	**$'000**
(b) Change in policyholders' liabilities:		
Life assurance fund:		
At the beginning of the year	23,018,946	23,173,469
Gross premiums	3,369,611	2,916,511
Premium refunds	(5,407)	(678)
Mortality charges transferred to the income statement	(39,985)	(46,862)
Fees transferred to the income statement	(331,843)	(265,610)
Claims and benefits	(3,208,725)	(3,693,444)
Interest credited	901,532	935,560
At the end of the year	23,704,129	23,018,946
Risk reserve:		
At the beginning of the year	3,535,807	3,200,039
Issue of new contracts	811,773	654,570
Normal changes	260,509	135,153
Impact of new tax measures	(414,795)	
Effect of change in assumptions:		
Base renewal expense levels	(448,671)	75,753
Investment returns	(585,896)	(544,333)
Lapse and surrender rates	29,897	1,933
Mortality rates	38,870	12,692
At the end of the year	3,227,494	3,535,807
Benefits and claims payable:		
At the beginning of the year	33,808	38,769
Policyholders' claims and benefits	158,527	133,572
Benefits and claims paid	(138,250)	(138,533)
At the end of the year	54,085	33,808
Unprocessed premiums:		
At the beginning of the year	63,185	45,821
Premiums received	5,806,120	4,864,851
Premiums applied	(5,787,987)	(4,847,487)
At the end of the year	81,318	63,185

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35. Liabilities under Annuity and Insurance Contracts (Continued)

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

	2015			
	Annuity	**Individual life**	**Group life**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Balance brought forward	4,956,703	(1,863,004)	442,108	3,535,807
Changes in assumptions:				
Investment returns	(8,381)	(586,583)	9,068	(585,896)
Base renewal expense levels and inflation	1,782	(453,951)	3,498	(448,671)
Lapse and surrender rates	-	29,897	-	29,897
Mortality rates	46,856	-	(7,986)	38,870
	40,257	(1,010,637)	4,580	(965,800)
Issue of new contracts	950,964	(331,839)	192,648	811,773
Normal changes	151,983	206,352	(97,826)	260,509
Tax measures (Removal of premium and investment income taxes & reduction in asset tax)	-	(403,599)	(11,196)	(414,795)
Net change	1,143,204	(1,539,723)	88,206	(308,313)
	6,099,907	(3,402,727)	530,314	3,227,494

	2014			
	Annuity	**Individual life**	**Group life**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Balance brought forward	4,466,714	(1,669,638)	402,963	3,200,039
Changes in assumptions:				
Investment returns	(335,760)	(208,573)	-	(544,333)
Base renewal expense levels and inflation	1,386	71,977	2,390	75,753
Lapse and surrender rates	-	1,933	-	1,933
Mortality rates	-	26,640	(13,948)	12,692
	(334,374)	(108,023)	(11,558)	(453,955)
Issue of new contracts	715,627	(239,007)	177,950	654,570
Normal changes	108,736	153,664	(127,247)	135,153
Net change	489,989	(193,366)	39,145	335,768
	4,956,703	(1,863,004)	442,108	3,535,807

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35. Liabilities under Annuity and Insurance Contracts (Continued)

Liabilities under Life Insurance and Annuity Contracts (continued)

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

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

	2015			
	Annuity Contracts	**Individual and Group Life Insurance Contracts**	**Other Liabilities Surplus and Capital**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Investment securities	5,976,354	24,692,880	7,243,033	37,912,267
Reverse repurchase agreements	279,027	1,169,789	286,428	1,735,244
Other assets	425,037	861,263	111,998	1,398,298
Property, plant and equipment	-	-	18,816	18,816
Intangible asset – computer software	-	-	255,238	255,238
	6,680,418	26,723,932	7,915,513	41,319,863

	2014			
	Annuity Contracts	**Individual and Group Life Insurance Contracts**	**Other Liabilities, Surplus and Capital**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Investment securities	4,879,744	25,340,961	5,292,120	35,512,825
Reverse repurchase agreements	122,422	190,862	1,412,179	1,725,463
Other assets	239,256	684,605	431,334	1,355,195
Property, plant and equipment	-	-	243,213	243,213
Intangible asset – computer software	-	-	107	107
	5,241,422	26,216,428	7,378,953	38,836,803

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35. Liabilities under Annuity and Insurance Contracts (Continued)

Liabilities under Life Insurance and Annuity Contracts (continued)
Policy assumptions
For insurance contracts, the assumptions used to determine the liabilities are updated at each reporting date to reflect the latest best estimates. The assumptions used for valuing the insurance contracts disclosed in this note are as follows:

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

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

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

	Individual with Investment Options	**Individual & Group Life**	**Annuities**
Year 1	6.43%	8.70%	13.03%
Year 2 – 10	Decreasing to 5.76%	Decreasing to 7.30%	13.03%
Year 11 – 29	Decreasing to 5.00%	Decreasing to 5.60%	13.03%
Year 29 onwards	5.00%	5.60%	10.30%
Year 39 onwards	-	-	7.50%

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

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35. Liabilities under Annuity and Insurance Contracts (Continued)

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

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

Year 1	6.16%
Year 2 – 10	Decreasing to 5.35%
Year 11 – 25	Decreasing to 4.00%
Year 25 onwards	4.00%

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

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

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

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

	Change in Variable	Increase in Liability	
		2015	2014
	%	$'000	$'000
Lowering of investment returns	1	2,396,533	2,337,827
Worsening of base renewal expense levels	10	239,690	225,447
Worsening of mortality	10	60,796	132,421
Worsening of lapse and surrender rates	10	210,694	42,137

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35. Liabilities under Annuity and Insurance Contracts (Continued)

Liabilities under General Insurance Contracts

	The Group	
	2015 **$'000**	**2014** **$'000**
Gross:		
Claims outstanding	5,094,258	5,085,160
Unearned premiums	2,527,990	2,494,004
	7,622,248	7,579,164
Reinsurance ceded		
Claims outstanding	(43,026)	(99,547)
Unearned premiums	(205,958)	(164,773)
	(248,984)	(264,320)
Net:		
Claims outstanding	5,051,232	4,985,613
Unearned premiums	2,322,032	2,329,231
	7,373,264	7,314,844

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

	2015			2014		
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Notified claims	4,042,460	(87,800)	3,954,660	3,983,510	(129,676)	3,853,834
Claims incurred but not reported	1,042,700	(11,747)	1,030,953	1,014,883	(4,343)	1,010,540
Balance at beginning of year	5,085,160	(99,547)	4,985,613	4,998,393	(134,019)	4,864,374
Claims incurred	2,685,460	631	2,686,091	2,471,633	(31,171)	2,440,462
Claims paid	(2,676,362)	55,890	(2,620,472)	(2,384,866)	65,643	(2,319,223)
Balance at end of year	5,094,258	(43,026)	5,051,232	5,085,160	(99,547)	4,985,613
Comprising:						
Notified claims	3,567,995	(40,077)	3,527,918	4,042,460	(87,800)	3,954,660
Claims incurred but not reported	1,526,263	(2,949)	1,523,314	1,042,700	(11,747)	1,030,953
	5,094,258	(43,026)	5,051,232	5,085,160	(99,547)	4,985,613

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35. Liabilities under Insurance and Annuity Contracts (Continued)

Liabilities under General Insurance Contracts (continued)
The policy and claims liabilities were determined in accordance with accepted actuarial principles and as directed by the Financial Services Commission.

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

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

	2015			2014		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	$’000	$’000	$’000	$’000	$’000	$’000
Balance at beginning of year	2,494,004	(164,773)	2,329,231	2,458,015	(156,734)	2,301,281
Premiums written	5,329,875	(455,948)	4,873,927	5,236,705	(378,800)	4,857,905
Premiums earned	(5,295,889)	414,763	(4,881,126)	(5,200,716)	370,761	(4,829,955)
Balance at end of year	2,527,990	(205,958)	2,322,032	2,494,004	(164,773)	2,329,231
Comprising, by type of business:						
Liability insurance contracts	16,741	(3,183)	13,558	12,516	(3,149)	9,367
Motor insurance contracts	2,275,903	-	2,275,903	2,299,379	-	2,299,379
Pecuniary loss insurance contracts	-	-	-	-	-	-
Property insurance contracts	235,346	(202,775)	32,571	182,109	(161,624)	20,485
	2,527,990	(205,958)	2,322,032	2,494,004	(164,773)	2,329,231

36. Provision for Litigation

	The Group and The Bank	
	2015	2014
	$'000	$'000
At beginning of year	3,053	11,500
Provided during the year	4,243	2,232
Utilised/reversed during the year	(5,796)	(10,679)
At end of year	1,500	3,053

The litigation provision is in relation to claims against the Group which meet the provisioning criteria defined in Note 52. The provisions are either utilised or reversed upon settlement or a favourable change in the status of the claim.

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37. Post-employment Benefits

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

	The Group		The Bank	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Pension schemes	61,536	79,954	-	-
Other post-employment benefits	2,879,352	2,105,357	2,726,770	2,098,933
	2,940,888	2,185,311	2,726,770	2,098,933

The amounts recognised in the income statement are as follows:

	The Group		The Bank	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Pension schemes	38,719	(9,798)	-	(46,874)
Other post-employment benefits	394,456	200,390	247,135	200,390
	433,175	190,592	247,135	153,516

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

	The Group		The Bank	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Pension schemes	(31,868)	25,428	-	46,874
Other post-employment benefits	419,780	233,277	419,780	233,277
	387,912	258,705	419,780	280,151

37. Post-employment Benefits (Continued)

(a) Pension schemes

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

National Commercial Bank Staff Pension Fund 1986

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

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

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

National Commercial Bank Staff Pension Fund 1999

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

Advantage General Insurance Company Limited Superannuation Fund

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

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

	2015		2014	
	The Bank	**AGIC**	**The Bank**	**AGIC**
	$'000	**$'000**	**$'000**	**$'000**
Present value of funded obligations	16,226,090	746,167	13,914,044	675,369
Fair value of plan assets	(20,529,745)	(684,631)	(18,411,554)	(595,415)
(Over)/under – funded obligations	(4,303,655)	61,536	(4,497,510)	79,954
Limitation on pension assets	4,303,655	-	4,497,510	-
	-	61,536	-	79,954

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

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37. Post-employment Benefits (Continued)

(a) Pension schemes (continued)

The schemes are valued by independent actuaries annually using the projected unit credit method; the latest such valuation being carried out as at June 30, 2015 for the Bank's scheme and at August 31, 2015 for the AGIC scheme.

The movement in the defined benefit obligation is as follows:

	2015		2014	
	The Bank	**AGIC**	**The Bank**	**AGIC**
	$'000	**$'000**	**$'000**	**$'000**
At beginning of year	13,914,044	675,369	13,242,453	613,540
Settlement	-	-	-	-
Employee's contributions	-	27,316	-	28,463
Service cost	-	26,972	-	25,384
Interest cost	1,276,589	64,425	1,218,113	57,946
Remeasurements:				
Experience (gains)/losses	1,111,105	(19,553)	340,774	(18,372)
Losses/(gains) from changes in financial assumptions	876,880	(293)	-	-
Curtailment	-		(46,874)	-
Benefits paid	(952,528)	(28,069)	(840,422)	(31,592)
At end of year	16,226,090	746,167	13,914,044	675,369

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

	2015		2014	
	The Bank	**AGIC**	**The Bank**	**AGIC**
	$'000	**$'000**	**$'000**	**$'000**
At beginning of year	18,411,554	595,415	18,093,862	522,644
Interest on plan assets	1,703,853	57,917	1,678,997	50,396
Remeasurement - return on plan assets, excluding amounts included in interest on plan assets	1,366,866	12,022	(520,883)	3,074
Contributions	-	52,585	-	55,035
Administration fees	-	(5,239)	-	(4,142)
Benefits paid	(952,528)	(28,069)	(840,422)	(31,592)
At end of year	20,529,745	684,631	18,411,554	595,415

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37. Post-employment Benefits (Continued)

(a) Pension schemes (continued)

The amounts recognised in the income statement are as follows:

	2015		2014	
	The Bank	**AGIC**	**The Bank**	**AGIC**
	$'000	**$'000**	**$'000**	**$'000**
Current service cost	-	26,972	-	25,384
Curtailment	-	-	(46,874)	-
Administration fees	-	5,239	-	4,142
Net interest expense	-	6,508	-	7,550
Total, included in staff costs	-	38,719	(46,874)	37,076

The amounts recognised in other comprehensive income are as follows:

	2015		2014	
	The Bank	**AGIC**	**The Bank**	**AGIC**
	$'000	**$'000**	**$'000**	**$'000**
Loss/(gain) on present value of funded obligations	1,987,985	(19,846)	340,774	(18,372)
(Gain)/loss on fair value of plan assets	(1,366,866)	(12,022)	520,883	(3,074)
Change in effect of asset ceiling	(621,119)	-	(814,783)	-
Net (gain)/loss	-	(31,868)	46,874	(21,446)

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

	2015		2014	
	$'000	**%**	**$'000**	**%**
Debt securities	12,324,446	60.03	11,339,809	61.59
Equity securities	5,435,803	26.48	4,314,429	23.43
Real estate	2,514,518	12.25	2,344,192	12.74
Other	254,978	1.24	413,124	2.24
	20,529,745	100.00	18,411,554	100.00

These plan assets included:
- Ordinary stock units of the Bank with a fair value of $1,133,805,000 (2014 – $1,103,570,000).
- Repurchase obligations, promissory notes and lease obligations of the Group aggregating $53,065,000 (2014 – $333,256,000).
- Properties occupied by the Group with a fair value of $474,400,000 (2014 - $468,950,000).

37. Post-employment Benefits (Continued)

(a) Pension schemes (continued)

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

	2015		2014	
	$'000	%	$'000	%
Debt securities	365,173	53.34	365,157	61.33
Equity securities	146,610	21.41	79,982	13.43
Real estate and other	172,848	25.25	150,276	25.24
	684,631	100.00	595,415	100.00

Expected contributions to the Bank's and AGIC's defined benefit pension schemes for the year ending September 30, 2015 are Nil and $27,270,000, respectively.

The principal actuarial assumptions used are as follows:

	2015		2014	
	The Bank	AGIC	The Bank	AGIC
Discount rate	9.00%	9.00%	9.50%	9.50%
Future salary increases	6.00%	6.00%	6.00%	7.00%
Future pension increases	4.00%	2.50%	4.00%	2.50%

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

The average duration of the defined benefit pension obligation at 30 September 2015 is 11.9 years for the Bank's defined benefit scheme and 18.5 years for AGIC's scheme.

37. Post-employment Benefits (Continued)

(a) Pension schemes (continued)

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

The Bank

	Increase/(decrease) in defined benefit obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
		$'000	**$'000**
Discount rate	1%	(1,676,042)	2,029,149
Future salary increases	1%	146,262	(137,620)
Future pension increases	1%	1,600,747	(1,477,586)
Life expectancy	1 year	376,000	(391,000)

AGIC

	Increase/(decrease) in defined benefit obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
		$'000	**$'000**
Discount rate	1%	(115,723)	153,059
Future salary increases	1%	71,536	(60,109)
Future pension increases	1%	64,408	(55,664)
Life expectancy	1 year	13,460	(13,000)

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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37. Post-employment Benefits (Continued)

(b) Other post-employment benefits

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

In addition to the assumptions used for pension schemes, the main actuarial assumption is a long-term increase in health costs of 1.5 percentage points above CPI per year (2014 – 1.5 percentage points above CPI).

The average duration of the other post-employment benefits obligation at 30 September 2015 is 17.7 years.

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

	The Group		The Bank	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Present value of unfunded obligations	2,879,352	2,105,357	2,726,770	2,098,933

The movement in the defined benefit obligation is as follows:

	The Group		The Bank	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
At beginning of the year	2,105,357	1,709,144	2,098,933	1,702,720
Service cost	56,140	40,411	49,593	40,411
Interest cost	208,675	159,979	197,542	159,979
Remeasurements:				
Experience losses	7,355	233,277	7,355	233,277
Losses from changes in financial assumptions	412,425	-	412,425	-
Additional liability recognised in respect of prior year	129,641	-		-
Benefits paid	(40,241)	(37,454)	(39,078)	(37,454)
At end of year	2,879,352	2,105,357	2,726,770	2,098,933

The amounts recognised in the income statement are as follows:

	The Group		The Bank	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Service cost	56,140	40,411	49,593	40,411
Net interest expense	208,675	159,979	197,542	159,979
Additional liability recognised in respect of prior year	129,641	-	-	-
Total, included in staff costs (Note 11)	394,456	200,390	247,135	200,390

37. 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:

	Increase/(decrease) in obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
		$'000	**$'000**
Discount rate	1%	(407,981)	524,672
Medical cost inflation	1%	519,974	(411,417)
Life expectancy	1 year	83,490	(83,490)

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

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

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

Asset volatility risk

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

Interest rate risk

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

Salary risk

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

Longevity risk

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

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38. Other Liabilities

	The Group			The Bank		
		Restated	Restated		Restated	Restated
	2015	2014	2013	2015	2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000
Accrued staff benefits	1,302,183	2,842,209	1,714,276	1,090,817	2,552,223	1,633,288
Due to customers, merchants and clients	2,982,683	2,668,608	1,943,738	1,395,655	2,349,967	1,594,144
Accrued other operating expenses	1,791,378	1,656,427	2,317,345	1,401,557	1,238,758	1,446,913
Other	1,021,785	973,184	255,149	674,088	862,787	460,679
	7,098,029	8,140,428	6,230,508	4,562,117	7,003,735	5,135,024

39. Share Capital

	2015	2014
	$'000	$'000
Authorised – 5,750,000,000 ordinary shares		
Issued and fully paid up –		
2,466,762,828 ordinary stock units of no par value	6,465,731	6,465,731
5,293,916 ordinary stock units held by NCB Employee Share Scheme	(3,388)	(3,388)
Issued and outstanding	6,462,343	6,462,343

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

40. Fair Value and Capital Reserves

	The Group		The Bank	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Fair value reserve	(1,162,185)	(754,247)	(255,887)	(209,210)
Capital reserve	3,927,506	3,325,252	374,471	374,471
	2,765,321	2,571,005	118,584	165,261
Capital reserve comprises:				
Realised –				
Capital gains from the scheme of arrangement	-	-	300,564	300,564
Surplus on revaluation of property, plant and equipment	92,991	92,991	-	-
Retained earnings capitalised	98,167	98,167	-	-
Share redemption reserve	1,077,382	1,077,382	-	-
Unrealised –			-	-
Translation reserve	1,659,576	1,399,493	-	-
Surplus on revaluation of property, plant and equipment	142,963	142,963	73,907	73,907
Share of movement in reserves of associate	401,643	59,472	-	-
Other	454,784	454,784	-	-
	3,927,506	3,325,252	374,471	374,471

41. Loan Loss Reserve

This is a non-distributable reserve representing the excess of the provision for credit losses determined using the Bank of Jamaica's regulatory requirements over the amount determined under IFRS (Note 22).

42. Banking Reserve Fund

This fund is maintained in accordance with the Banking Act 1992 which requires that a minimum of 15% of the net profits, as defined by the Act, of the Bank be transferred to the reserve fund until the amount of the fund is equal to 50% of the paid-up capital of the Bank and thereafter 10% of the net profits until the amount of the fund is equal to the paid-up capital of the Bank. During the 2012 financial year, the amount of the fund surpassed the paid-up capital of the Bank and therefore no further mandatory transfers are required.

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

43. Retained Earnings Reserve

The Banking Act 1992 permits the transfer of any portion of the Bank's net profit to a retained earnings reserve. This reserve constitutes a part of the capital base for the purpose of determining the maximum level of deposit liabilities and lending to customers. The deposit liabilities of the Bank and other indebtedness for borrowed money together with all interest accrued should not exceed twenty-five times its capital base.

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44. Cash Flows from Operating Activities

	Note	The Group		The Bank	
		2015	**2014**	**2015**	**2014**
		$'000	**$'000**	**$'000**	**$'000**
Net profit		12,301,790	12,327,120	7,888,482	8,218,338
Adjustments to reconcile net profit to net cash flow provided by operating activities:					
Depreciation	28	999,523	840,151	898,050	756,679
Amortisation of intangible assets	27	564,028	407,252	431,009	325,667
Impairment losses on securities	13	79,765	200,085	-	-
Share of after tax profits of associates	25	(433,666)	(902,696)	-	-
Loss on dilution of investment in associate		50,748	-	-	-
Negative goodwill on acquisition of subsidiary	48	-	(301,441)	-	-
Gain on disposal of investment in associate		-	(349,042)	-	(1,796,456)
Provision for credit losses	22	1,799,158	2,226,949	1,795,638	2,230,406
Interest income	6	(37,485,884)	(36,899,627)	(27,390,043)	(26,127,855)
Interest expense	6	11,521,854	12,238,960	7,583,213	7,712,629
Income tax expense	15	4,082,309	3,142,766	1,872,535	1,361,327
Unrealised exchange losses on securitisation arrangements		1,456,241	1,099,991	1,456,241	1,099,991
Amortisation of upfront fees on securitisation arrangements		151,632	23,845	151,632	23,845
Unrealised exchange losses on other borrowed funds		3,116,904	238,005	74,096	118,970
Amortisation of upfront fees on other borrowed funds		-	1,520	597	1,520
Change in post-employment benefit obligations	37	433,175	190,592	247,135	153,516
Foreign exchange gains		(1,576,274)	(1,133,957)	(1,147,304)	(597,553)
Gain on disposal of property, plant and equipment and intangible assets		(65,979)	(36,831)	(65,459)	(36,098)
Fair value losses/(gains) on investment property	26	9,000	(22,000)	-	-
Fair value losses/(gains) on derivative financial instruments		95,019	(143,141)	95,019	(143,141)
Changes in operating assets and liabilities:					
Statutory reserves at Central Bank		(414,002)	(2,441,110)	(386,174)	(2,342,609)
Pledged assets included in due from other banks		(235,333)	(68,893)	(235,333)	(115,968)
Restricted cash included in due from other banks		(394,803)	(63,449)	(394,803)	(63,449)
Reverse repurchase agreements		(319,634)	(571,257)	1,416,032	(807,034)
Loans and advances		(9,641,007)	(18,356,129)	(8,206,656)	(18,140,112)
Customer deposits		26,152,493	21,992,735	16,112,764	19,073,395
Repurchase agreements		(33,760,156)	16,985,791	(30,116,562)	19,703,942
Liabilities under annuity and insurance contracts		458,364	316,404	-	-
Other		(654,006)	1,833,220	(1,617,409)	320,644
		(34,010,531)	448,693	(37,425,782)	2,712,256
Interest received		37,755,067	36,745,573	27,486,007	25,934,577
Interest paid		(12,053,073)	(11,402,066)	(7,913,220)	(7,011,027)
Income tax paid		(4,343,628)	(1,788,345)	(2,393,853)	(144,690)
		(12,652,165)	24,003,855	(20,246,848)	21,491,116
Net cash (used in)/provided by operating activities		(350,375)	36,330,975	(12,358,366)	29,709,454

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45. 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. 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	
	2015	2014	2015	2014	2015	2014	2015	2014
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Loans and advances								
Balance at September 30	-	225	-	6	218,162	226,326	978,402	983,407
Interest income earned	-	110	26	53	12,346	14,500	67,738	83,294
Investment securities								
Balance at September 30	180,118	-	-	-	-	-	-	-
Interest income earned	13,860	-	-	-		-	-	-
Reverse repurchase agreements								
Balance at September 30	-	-	1,024,500	671,754	-		-	-
Interest income earned	-	-	14,175	5,124	-	-	-	-
Other assets								
Balance at September 30	11,025	30,482	514	609	-		79,003	71,179
Fees and commission income	22,054	21,632	30,361	25,309	955	1,231	2,379	4,973
Other operating income	8,989	8,463	-	-		-	351,095	339,021

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45. 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	
	2015	2014	2015	2014	2015	2014	2015	2014
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Customer deposits								
Balance at September 30	37,901	30,725	2,159,765	2,605,054	130,482	128,698	386,571	515,119
Interest expense	602	4,070	6,451	6,049	951	927	1,142	3,136
Repurchase agreements								
Balance at September 30	233,432	218,284	237,807	842,222	366,190	761,369	36,695	130,164
Interest expense	8,438	6,002	35,996	34,728	16,485	15,081	1,822	3,835
Other liabilities								
Balance at September 30	-	2,587	-	-	18,923	50,928	-	-
Operating expenses	145,991	186,103	4,472	4,584	17,198	43,397	695,433	211,562

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45. Related Party Transactions and Balances (Continued)

	The Bank							
	Parent, subsidiaries 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	
	2015	2014	2015	2014	2015	2014	2015	2014
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Loans and advances								
Balance at September 30	45	225	-	6	218,162	226,326	978,402	983,407
Interest income earned	40	110	26	53	12,346	14,500	67,738	83,294
Reverse repurchase agreements								
Balance at September 30	1,147,803	1,431,326	800,000	40,000	-	-	-	-
Interest income earned	50,022	74,702	13,309	4,045	-	-	-	-
Other assets								
Balance at September 30	144,487	103,437	-	-	-	-	-	-
Fee and commission income	40,567	42,978	30,361	25,309	370	929	1,288	4,177
Dividend income	2,333,310	1,615,111	137,209	205,495	-	-	10,973	8,088
Other operating income	77,092	62,425	-	-	-	-	-	-

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45. Related Party Transactions and Balances (Continued)

	The Bank (Continued)							
	Parent, subsidiaries 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	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Customer deposits								
Balance at September 30	1,255,735	5,565,246	2,159,765	2,605,054	130,482	129,698	386,571	515,119
Interest expense	59,002	8,577	6,451	6,049	951	927	1,142	3,136
Repurchase agreements								
Balance at September 30	2,137,907	10,247,304	237,807	805,345	-	-	-	-
Interest expense	357,329	652,239	35,996	34,000	-	-	-	-
Due to other banks								
Balance at September 30	8,764,274	6,321,308	-	-	-	-	-	-
Interest expense	347,601	415,053	-	-	-	-	-	-
Other liabilities								
Balance at September 30	58,385	31,268	-	-	-	-	-	-
Operating Expenses	418,620	383,909	4,472	4,584	17,198	8,376	695,433	211,562

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45. Related Party Transactions and Balances (Continued)

	The Group		The Bank	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Key management compensation:				
Salaries and other short-term benefits	665,536	566,073	556,612	493,670
Post-employment benefits	34,327	28,818	31,700	26,635
Termination benefits	-	47,229	-	47,228
	699,863	642,120	588,312	567,533
Directors' emoluments:				
Fees	49,238	29,779	12,669	9,373
Management remuneration	275,340	227,243	275,340	227,243

46. Financial Risk Management

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

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

Risk Governance Structure

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

46. Financial Risk Management (Continued)

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

(i) Credit and Counterparty risk - exposures to individuals, group, counterparty, country
(ii) Market risk - rate gap exposure, currency exposure, market value exposure
(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-balance sheet financial instruments, such as loan commitments. Credit risk management is facilitated by a cadre of loans officers and credit risk personnel, who together operate within a control framework which employs a hierarchical level of authorisations for transactions that expose the organisation to credit risk. Operating practices include the establishment of limits, ongoing monitoring of credit risk exposures, a disciplined approach to provisioning and loan loss evaluation in addition to ongoing reporting of portfolio exposures to the relevant governance committees and the regulators.

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

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

Credit review process

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

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

Standard
Special Mention
Sub-Standard
Doubtful
Loss

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

46. Financial Risk Management (Continued)

(a) Credit risk (continued)

Collateral and other credit enhancements

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

The main types of collateral obtained are as follows:

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

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

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

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

Impairment loss provision methodology

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

Sub-standard, Doubtful or Loss rated loans

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

Individually Significant, Standard and Special Mention loans

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

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

Collectively assessed provisions

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

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46. Financial Risk Management (Continued)

(a) Credit risk (continued)

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

The Group

	2015		2014	
	Loans $'000	Impairment provision $'000	Loans $'000	Impairment provision $'000
Standard	151,965,646	1,041,824	145,316,221	985,414
Special Mention	7,428,917	9,088	6,365,904	34,878
Sub-Standard	2,211,649	73,934	2,422,358	408,637
Doubtful	897,555	866,972	1,189,489	590,952
Loss	6,728,508	2,443,370	6,569,427	2,886,974
	169,232,275	4,435,188	161,863,399	4,906,855

The Bank

	2015		2014	
	Loans $'000	Impairment provision $'000	Loans $'000	Impairment provision $'000
Standard	149,245,311	1,026,842	144,138,004	974,031
Special Mention	7,413,404	9,088	6,360,053	34,878
Sub-Standard	2,208,763	73,357	2,422,358	408,637
Doubtful	897,555	866,972	1,112,746	590,952
Loss	6,728,508	2,443,370	6,525,204	2,886,974
	166,493,541	4,419,629	160,558,365	4,895,472

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46. Financial Risk Management (Continued)

(a) Credit risk (continued)

The credit quality of loans is summarised as follows:

	The Group		The Bank	
	2015 **$'000**	**2014** **$'000**	**2015** **$'000**	**2014** **$'000**
Unimpaired	164,934,591	155,536,382	162,204,199	154,252,706
Impaired	4,297,684	6,327,017	4,289,342	6,305,659
Gross	169,232,275	161,863,399	166,493,541	160,558,365
Less: provision for credit losses	(4,435,188)	(4,906,855)	(4,419,629)	(4,895,472)
Net	164,797,087	156,956,544	162,073,912	155,662,893

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

	The Group		The Bank	
	2015 **$'000**	**2014** **$'000**	**2015** **$'000**	**2014** **$'000**
Less than 30 days	27,850,621	27,392,199	27,806,276	27,390,883
31 to 60 days	4,117,936	4,640,655	3,969,811	4,640,655
61 to 90 days	4,242,746	3,005,775	4,088,292	3,005,125
Greater than 90 days	4,550,794	2,462,591	4,405,548	2,458,330
	40,762,097	37,501,220	40,269,927	37,494,993

Of the aggregate amount of gross past due but not impaired loans, $31,654,463,000 was secured as at September 30, 2015 (2014 – $25,541,157,000).

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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46. Financial Risk Management (Continued)

(a) Credit risk (continued)

Restructured loans (continued)

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

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

Credit risk exposure

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

	The Group		The Bank	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Credit risk exposures relating to on-balance sheet assets:				
Balances with Central Bank	25,304,199	26,324,470	25,139,367	26,223,471
Due from other banks	25,698,575	21,792,564	22,872,541	20,433,888
Derivative financial instruments	486,783	581,668	433,989	529,008
Investment securities at fair value through profit or loss	721,681	381,373	-	-
Reverse repurchase agreements	2,148,117	1,621,798	2,601,543	1,471,326
Loans and advances, net of provision for credit losses	165,404,606	157,630,000	162,675,184	156,335,868
Investment securities classified as available-for-sale and loans and receivables	274,494,553	262,716,787	121,503,718	116,077,174
Customers' liability – letters of credit and undertaking	1,775,088	1,270,160	1,775,088	1,270,160
Other assets	3,645,438	3,807,854	2,533,491	3,073,191
	499,679,040	476,126,674	339,534,921	325,414,086
Credit risk exposures relating to off-balance sheet items:				
Credit commitments	32,757,165	28,207,396	32,757,165	28,207,396
Acceptances, guarantees and indemnities	5,268,774	6,881,226	2,905,921	4,120,851
	38,025,939	35,088,622	35,663,086	32,328,247

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46. Financial Risk Management (Continued)

(a) Credit risk (continued)

Credit exposures

(i) Loans

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

	The Group		The Bank	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
Agriculture	5,332,629	6,458,274	5,148,702	6,441,746
Public Sector	7,249,658	7,544,630	7,114,357	7,539,475
Construction and land development	14,520,281	14,916,867	14,484,072	14,899,144
Other financial institutions	1,208,784	1,559,895	1,179,839	1,531,156
Distribution	17,363,194	16,121,889	17,171,591	16,013,039
Electricity, water & gas	1,019,847	4,186,884	1,019,847	4,186,884
Entertainment	905,779	1,417,904	905,779	1,417,904
Manufacturing	6,555,246	4,330,436	6,340,513	4,300,359
Mining and processing	400,670	370,556	400,670	370,556
Personal	75,425,536	72,376,881	73,600,909	72,214,922
Professional and other services	4,641,271	6,335,888	4,588,817	6,299,783
Tourism	20,609,070	17,777,419	20,567,234	17,765,048
Transportation storage and communication	3,068,807	2,858,494	3,039,708	2,844,163
Overseas residents	10,931,503	5,607,382	10,931,503	4,734,186
Total	169,232,275	161,863,399	166,493,541	160,558,365
Total provision	(4,435,188)	(4,906,855)	(4,419,629)	(4,895,472)
	164,797,087	156,956,544	162,073,912	155,662,893
Interest receivable	607,519	673,456	601,272	672,975
Net	165,404,606	157,630,000	162,675,184	156,335,868

(ii) Debt securities

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

	The Group		The Bank	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
Government of Jamaica and Bank of Jamaica	244,201,054	225,072,828	113,937,851	107,336,286
Government of Jamaica guaranteed corporate bonds	6,626,817	14,822,275	1,347,444	1,859,212
Other corporate bonds	18,301,558	14,887,279	4,679,908	3,783,554
Foreign governments	2,412,826	4,450,158	-	1,551,089
	271,542,255	259,232,540	119,965,203	114,530,141
Interest receivable	3,673,979	3,865,620	1,538,515	1,547,033
	275,216,234	263,098,160	121,503,718	116,077,174

46. Financial Risk Management (Continued)

(b) Liquidity risk

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

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

(i) Oversight by relevant governance committees;

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

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

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

(v) Diversification of funding sources;

(vi) Maintenance of committed lines of credits; and

(vii) Monitoring of adherence to regulatory ratios.

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

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

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

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46. 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 and liabilities based on the remaining period.

	The Group					
	Within 1 Month $'000	2 to 3 Months $'000	4 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Total $'000
As at September 30, 2015:						
Due to other banks	2,682,026	143,836	1,656,569	2,300,939	-	6,783,370
Customer deposits	195,967,403	14,228,349	17,129,461	1,110,845	-	228,436,058
Repurchase agreements	40,932,524	41,500,087	13,157,637	6,843,479	-	102,433,727
Obligations under securitisation arrangements	435,854	263,889	2,099,230	25,505,704	32,726,154	61,030,831
Other borrowed funds	3,395,092	368,953	856,801	4,882,051	1,092,364	10,595,261
Liabilities under annuity and insurance contracts	433,992	1,730,383	7,592,175	21,106,810	63,032,352	93,895,712
Other	5,486,193	702,023	97,282	-	58,955	6,344,453
Total financial liabilities (contractual maturity dates)	249,333,084	58,937,520	42,589,155	61,749,828	96,909,825	509,519,412
Total financial liabilities (expected maturity dates)	36,875,185	10,430,788	14,043,088	54,477,610	413,571,585	529,398,256
Total financial assets (expected maturity dates)	116,210,350	21,831,140	56,299,597	270,247,601	315,299,062	779,887,750

	The Group					
	Within 1 Month $'000	2 to 3 Months $'000	4 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Total $'000
As at September 30, 2014:						
Due to other banks	2,739,391	950,038	862,816	2,530,960	-	7,083,205
Customer deposits	167,312,698	11,903,766	22,438,469	1,070,223	1,968	202,727,124
Repurchase agreements	44,071,860	42,222,085	47,790,834	2,283,892	36,190	136,404,861
Obligations under securitisation arrangements	-	248,839	1,684,238	16,611,841	-	18,544,918
Other borrowed funds	2,599,887	435,046	4,678,821	4,117,544	1,263,137	13,094,435
Liabilities under annuity and insurance contracts	398,634	1,553,288	7,476,471	20,718,282	61,135,711	91,282,386
Other	8,008,362	1,327,094	281,357	30,000	43,239	9,690,052
Total financial liabilities (contractual maturity dates)	225,130,832	58,640,156	85,213,006	47,362,742	62,480,245	478,826,981
Total financial liabilities (expected maturity dates)	29,178,080	12,175,752	24,085,079	47,453,353	394,691,748	507,584,012
Total financial assets (expected maturity dates)	44,172,687	26,705,063	65,748,190	264,830,634	319,489,758	720,946,332

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46. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Cash flows of financial liabilities (continued)

	The Bank					
	Within 1 Month $'000	2 to 3 Months $'000	4 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Total $'000
As at September 30, 2015:						
Due to other banks	6,590,043	2,337,566	4,550,297	2,300,939	-	15,778,845
Customer deposits	191,189,685	11,268,568	12,020,137	387,203	-	214,865,593
Repurchase agreements	8,941,527	1,476,776	3,499,674	6,840,113	-	20,758,090
Obligations under securitisation arrangements	435,854	263,889	2,099,230	25,505,704	32,726,154	61,030,831
Other borrowed funds	29,406	260,885	797,211	3,928,418	1,092,364	6,108,284
Other	3,038,412	702,023	97,282	-	9,769	3,847,486
Total financial liabilities (contractual maturity dates)	210,224,927	16,309,707	23,063,831	38,962,377	33,828,287	322,389,129
Total financial liabilities (expected maturity dates)	23,247,828	7,075,371	11,475,595	35,449,337	261,823,630	339,071,761
Total financial assets (expected maturity dates)	95,038,409	13,100,058	34,851,508	194,075,293	190,162,492	527,227,760

	The Bank					
	Within 1 Month $'000	2 to 3 Months $'000	4 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Total $'000
As at September 30, 2014:						
Due to other banks	4,056,445	2,130,026	4,951,955	2,530,960	-	13,669,386
Customer deposits	170,879,413	10,326,324	17,715,171	237,864	-	199,158,772
Repurchase agreements	11,149,304	5,054,170	32,742,878	2,250,531	-	51,196,883
Obligations under securitisation arrangements	-	248,839	1,684,238	16,611,841	-	18,544,918
Other borrowed funds	37,252	245,763	3,748,322	3,765,625	1,263,137	9,060,099
Other	5,794,344	1,172,570	281,357	30,000	43,239	7,321,510
Total financial liabilities (contractual maturity dates)	191,916,758	19,177,692	61,123,921	25,426,821	1,306,376	298,951,568
Total financial liabilities (expected maturity dates)	22,324,705	13,422,000	18,235,416	26,317,216	245,281,558	325,580,895
Total financial assets (expected maturity dates)	43,902,203	16,453,414	35,548,892	194,114,677	198,987,058	489,006,244

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

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46. Financial Risk Management (Continued)

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

Off-balance sheet 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, 2015				
Credit commitments	32,757,165	-	-	32,757,165
Guarantees, acceptances and other financial facilities	4,013,432	168,062	1,087,280	5,268,774
Operating lease commitments	113,127	433,028	129,260	675,415
Capital commitments	2,431,552	-	-	2,431,552
	39,315,276	601,090	1,216,540	41,132,906
At September 30, 2014				
Credit commitments	28,207,396	-	-	28,207,396
Guarantees, acceptances and other financial facilities	5,594,133	278,978	1,008,115	6,881,226
Operating lease commitments	200,283	357,985	15,285	573,553
Capital commitments	2,253,126	-	-	2,253,126
	36,254,938	636,963	1,023,400	37,915,301

	The Bank			
	No later than 1 year $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
At September 30, 2015				
Credit commitments	32,757,165	-	-	32,757,165
Guarantees, acceptances and other financial facilities	1,650,579	168,062	1,087,280	2,905,921
Operating lease commitments	113,127	433,028	129,260	675,415
Capital commitments	1,918,445	-	-	1,918,445
	36,439,316	601,090	1,216,540	38,256,946
At September 30, 2014				
Credit commitments	28,207,296	-	-	28,207,296
Guarantees, acceptances and other financial facilities	2,833,758	278,978	1,008,115	4,120,851
Operating lease commitments	200,283	357,985	15,285	573,553
Capital commitments	1,711,634	-	-	1,711,634
	32,952,971	636,963	1,023,400	34,613,334

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 $1,251,628,000 (2014 – $1,506,008,000) for the Group has already been contracted for.

46. Financial Risk Management (Continued)

(c) Market risk

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

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

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

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

(i) Currency risk

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

Foreign exchange risk occurs when the Group takes on 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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46. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

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

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

	The Group					
	$	**US$**	**GBP**	**CAN$**	**Other**	**Total**
September 30, 2015	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets						
Cash in hand and balances at Central Banks	18,172,465	9,273,528	1,104,547	169,006	155,544	28,875,090
Due from other banks	2,733,106	10,913,085	7,881,132	1,410,491	2,760,761	25,698,575
Investment securities at fair value through profit or loss	130,462	703,678	-	-	109,044	943,184
Reverse repurchase agreements	2,029,377	118,740	-	-	-	2,148,117
Loans and advances net of provision for credit losses	105,905,104	58,570,648	-		928,854	165,404,606
Investment securities classified as available-for-sale and loans and receivables	136,190,934	137,032,686	1,820,896	-	-	275,044,516
Other	2,320,759	1,227,390	332	174	83,927	3,632,582
Total financial assets	267,482,207	217,839,755	10,806,907	1,579,671	4,038,130	501,746,670
Liabilities						
Due to other banks	942,428	5,045,546	91,760	43,811	22,821	6,146,366
Customer deposits	118,143,476	94,803,000	10,038,745	1,463,800	3,401,964	227,850,985
Repurchase agreements	43,224,059	56,779,949	-	-	-	100,004,008
Obligations under securitisation arrangements	-	44,292,064	-	-	-	44,292,064
Other borrowed funds	3,942,583	4,652,730	-	-	-	8,595,313
Liabilities under annuity and insurance contracts	34,460,784	228,490	-	-	-	34,689,274
Other	4,390,955	1,741,697	287,470	54,528	23,986	6,498,636
Total financial liabilities	205,104,285	207,543,476	10,417,975	1,562,139	3,448,771	428,076,646
Net on-balance sheet position	62,377,922	10,296,279	388,932	17,532	589,359	73,670,024
Guarantees, acceptances and other financial facilities	2,356,001	2,904,384	1,293	-	7,096	5,268,774
Credit commitments	32,700,501	56,664	-	-	-	32,757,165

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46. 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 Group					
	$	US$	GBP	CAN$	Other	Total
September 30, 2014	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets						
Cash in hand and balances at Central Banks	18,212,043	10,080,753	1,151,129	224,373	126,817	29,795,115
Due from other banks	1,062,057	10,575,181	7,385,504	1,450,804	1,319,018	21,792,564
Investment securities at fair value through profit or loss	128,710	394,683	-	-	-	523,393
Reverse repurchase agreements	1,046,503	545,970	-	-	29,325	1,621,798
Loans and advances net of provision for credit losses	105,491,089	51,729,880	3	-	409,028	157,630,000
Investment securities classified as available-for-sale and loans and receivables	137,463,274	121,097,223	2,900,840	-	2,186,027	263,647,364
Other	4,823,841	985,908	6,281	211	83,926	5,900,167
Total financial assets	268,227,517	195,409,598	11,443,757	1,675,388	4,154,141	480,910,401
Liabilities						
Due to other banks	813,737	5,338,401	92,564	51,016	40,856	6,336,574
Customer deposits	104,665,233	85,091,497	8,837,927	1,225,561	2,342,174	202,162,392
Repurchase agreements	73,042,680	58,917,985	1,519,468	230,226	980,267	134,690,626
Obligations under securitisation arrangements	-	13,885,577	-	-	-	13,885,577
Other borrowed funds	4,118,632	7,874,187	-	-	-	11,992,819
Liabilities under annuity and insurance contracts	33,954,514	276,396	-	-	-	34,230,910
Other	7,637,873	1,861,311	39,318	6,690	23,237	9,568,429
Total financial liabilities	224,232,669	173,245,354	10,489,277	1,513,493	3,386,534	412,867,327
Net on-balance sheet position	43,994,848	22,164,244	954,480	161,895	767,607	68,043,074
Guarantees, acceptances and other financial facilities	2,271,491	4,601,807	219	-	7,709	6,881,226
Credit commitments	25,879,146	2,328,250	-	-	-	28,207,396

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46. 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 Bank					
	J$	**US$**	**GBP**	**CAN$**	**Other**	**Total**
September 30, 2015	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets						
Cash in hand and balances at Central Bank	18,133,033	9,273,514	1,099,030	169,006	29,685	28,704,268
Due from other banks	2,761,759	9,268,607	7,722,407	1,410,359	1,709,409	22,872,541
Derivative financial Instruments	433,989	-	-	-	-	433,989
Reverse repurchase agreements	2,008,000	593,543	-	-	-	2,601,543
Loans and advances net of provision for credit losses	105,905,052	56,770,132	-	-	-	162,675,184
Investment securities classified as available-for-sale and loans and receivables	44,245,990	75,541,522	1,819,897	-	-	121,607,409
Other	1,282,109	1,116,946	332	175	-	2,399,562
Total financial assets	174,769,932	152,564,264	10,641,666	1,579,540	1,739,094	341,294,496
Liabilities						
Due to other banks	941,165	13,425,948	380,773	52,820	99,836	14,900,542
Customer deposits	119,146,048	82,347,305	10,036,123	1,468,183	1,450,876	214,448,535
Repurchase agreements	9,236,099	10,425,282	77,230	34,928	11,406	19,784,945
Obligations under securitisation arrangements	-	44,292,064	-	-	-	44,292,064
Other borrowed funds	2,863,119	2,037,044	-	-	-	4,900,163
Other	3,074,150	711,701	60,252	636	747	3,847,486
Total financial liabilities	135,260,581	153,239,344	10,554,378	1,556,567	1,562,865	302,173,735
Net on-balance sheet position	39,509,351	(675,080)	87,288	22,973	176,229	39,120,761
Guarantees, acceptances and other financial facilities	2,356,001	541,531	1,293	-	7,096	2,905,921
Credit commitments	32,700,501	56,664				32,757,165

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46. 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 Bank					
	$	**US$**	**GBP**	**CAN$**	**Other**	**Total**
September 30, 2014	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets						
Cash in hand and balances at Central Bank	18,209,245	10,080,687	1,141,631	224,373	28,212	29,684,148
Due from other banks	1,155,547	9,621,293	7,269,698	1,452,502	934,848	20,433,888
Reverse repurchase agreements	1,127,965	343,361	-	-	-	1,471,326
Loans and advances net of provision for credit losses	105,491,013	50,844,852	3	-	-	156,335,868
Investment securities classified as available-for-sale and loans and receivables	47,040,182	65,020,119	2,900,840	-	1,504,687	116,465,828
Other	3,858,986	907,103	6,281	210	-	4,772,580
Total financial assets	176,882,938	136,817,415	11,318,453	1,677,085	2,467,747	329,163,638
Liabilities						
Due to other banks	1,056,607	10,980,530	112,046	61,136	419,971	12,630,290
Customer deposits	106,460,406	79,421,039	10,489,327	1,444,520	900,531	198,715,823
Repurchase agreements	34,374,732	15,332,829	-	-	439,178	50,146,739
Obligations under securitisation arrangements	-	13,885,577	-	-	-	13,885,577
Other borrowed funds	2,647,639	5,588,091	-	-	-	8,235,730
Other	5,816,455	1,466,912	36,805	1,337	-	7,321,509
Total financial liabilities	150,355,839	126,674,978	10,638,178	1,506,993	1,759,680	290,935,668
Net on-balance sheet position	26,527,099	10,142,437	680,275	170,092	708,067	38,227,970
Guarantees, acceptances and other financial facilities	2,271,491	1,841,432	219	-	7,709	4,120,851
Credit commitments	25,879,146	2,328,250	-	-	-	28,207,396

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46. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Foreign currency sensitivity

The following table indicates the currencies to which the Group and the Bank 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.

	2015			2014		
	% Change in Currency Rate	Effect on Net Profit		% Change in Currency Rate	Effect on Net Profit	
		The Group	The Bank		The Group	The Bank
		$'000	$'000		$'000	$'000
Currency:						
USD	1% Appreciation	(102,963)	6,751	1% Appreciation	(221,642)	(101,424)
	8% Depreciation	823,704	(54,005)	10% Depreciation	2,216,424	(1,014,244)
GBP	1% Appreciation	(3,889)	(873)	1% Appreciation	(9,545)	(6,803)
	8% Depreciation	31,115	6,983	10% Depreciation	95,448	68,028
CAN	1% Appreciation	(175)	(230)	1% Appreciation	(1,619)	(1,701)
	8% Depreciation	1,401	1,836	10% Depreciation	16,187	17,007

(ii) Interest rate risk

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

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

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

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46. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

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

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

	The Group						
	Within 1 Month	2 to 3 Months	4 to 12 Months	1 to 5 Years	Over 5 Years	Non-Interest Bearing	Total
September 30, 2015	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets							
Cash in hand and balances at Central Banks	9,851,361	-	-	-	-	19,023,729	28,875,090
Due from other banks	13,518,526	2,627,996	-	-	-	9,552,053	25,698,575
Investment securities at fair value through profit or loss	4,088	-	591	258,271	446,983	233,251	943,184
Reverse repurchase agreements	2,148,117	-	-	-	-	-	2,148,117
Loans and advances net of provision for credit losses	61,429,584	27,778,560	11,146,057	47,652,297	14,938,176	2,459,932	165,404,606
Investment securities classified as available-for-sale and loans and receivables	43,907,673	30,189,031	25,053,280	84,557,198	86,862,308	4,475,026	275,044,516
Other	-	-	-	-	-	3,669,312	3,669,312
Total financial assets	130,859,349	60,595,587	36,199,928	132,467,766	102,247,467	39,413,303	501,783,400
Liabilities							
Due to other banks	144,799	73,437	1,387,489	1,780,511	-	2,760,130	6,146,366
Customer deposits	148,250,573	11,591,717	19,118,877	1,036,113	-	47,853,705	227,850,985
Repurchase agreements	40,348,801	40,080,870	12,665,487	6,248,189	-	660,661	100,004,008
Obligations under securitisation arrangements	-	-	-	14,171,437	29,675,175	445,452	44,292,064
Other borrowed funds	2,621,270	313,869	686,537	4,384,362	565,622	23,653	8,595,313
Liabilities under annuity and insurance contracts	22,917,034	131,535	655,563	-	-	10,985,142	34,689,274
Other	-	-	-	-	-	6,344,453	6,344,453
Total financial liabilities	214,282,477	52,191,428	34,513,953	27,620,612	30,240,797	69,073,196	427,922,463
On balance sheet interest sensitivity gap	(83,423,128)	8,404,159	1,685,975	104,847,154	72,006,670	(29,659,893)	73,860,937
Cumulative interest sensitivity gap	(83,423,128)	(75,018,969)	(73,332,994)	31,514,160	103,520,830	73,860,937	

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46. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

	The Group						
	Within 1 Month	2 to 3 Months	4 to 12 Months	1 to 5 Years	Over 5 Years	Non-Interest Bearing	Total
September 30, 2014	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets							
Cash in hand and balances at Central Banks	11,421,101	-	-	-	-	18,374,014	29,795,115
Due from other banks	12,776,727	4,539,750	1,244,657	180,042	-	3,051,388	21,792,564
Investment securities at fair value through profit or loss	-	-	22,383	72,768	280,569	147,673	523,393
Reverse repurchase agreements	125,943	219,394	1,263,035	-	-	13,426	1,621,798
Loans and advances net of provision for credit losses	63,704,601	26,048,826	4,326,029	42,187,092	17,322,054	4,041,398	157,630,000
Investment securities classified as available-for-sale and loans and receivables	54,859,984	34,461,142	22,074,153	99,763,728	47,800,146	4,688,211	263,647,364
Other	-	-	-	-	-	5,900,167	5,900,167
Total financial assets	142,888,356	65,269,112	28,930,257	142,203,630	65,402,769	36,216,277	480,910,401
Liabilities							
Due to other banks	505,067	888,960	742,681	1,867,942	-	2,331,924	6,336,574
Customer deposits	130,130,119	11,708,548	21,683,144	981,005	1,769	37,657,807	202,162,392
Repurchase agreements	43,801,009	41,285,132	46,208,974	2,282,220	32,729	1,080,562	134,690,626
Obligations under securitisation arrangements	-	13,844,560	-	-	-	41,017	13,885,577
Other borrowed funds	2,571,391	444,654	4,550,425	3,320,552	1,061,288	44,509	11,992,819
Liabilities under annuity and insurance contracts	30,598,110	-	-	-	-	3,632,800	34,230,910
Other	-	-	-	-	-	9,568,429	9,568,429
Total financial liabilities	207,605,696	68,171,854	73,185,224	8,451,719	1,095,786	54,357,048	412,867,327
On balance sheet interest sensitivity gap	(64,717,340)	(2,902,742)	(44,254,967)	133,751,911	64,306,983	(18,140,771)	68,043,074
Cumulative interest sensitivity gap	(64,717,340)	(67,620,082)	(111,875,049)	21,876,862	86,183,845	68,043,074	

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46. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

	The Bank						
	Within 1 Month	**2 to 3 Months**	**4 to 12 Months**	**1 to Years**	**Over 5 Years**	**Non-Interest Bearing**	**Total**
September 30, 2015	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets							
Cash in hand and balances at Central Bank	9,806,646	-	-	-	-	18,897,622	28,704,268
Due from other banks	13,986,400	2,563,308	-	-	-	6,322,833	22,872,541
Derivative financial instruments	-	-	-	-	-	433,989	433,989
Reverse repurchase agreements	2,601,504	-	39	-	-	-	2,601,543
Loans and advances net of provision for credit losses	61,368,902	27,417,008	10,936,761	45,870,916	14,626,350	2,455,247	162,675,184
Investment securities classified as available-for-sale and loans and receivables	12,522,750	3,527,772	15,423,526	47,919,238	40,675,608	1,538,515	121,607,409
Other	-	-	-	-	-	2,399,562	2,399,562
Total financial assets	100,286,202	33,508,088	26,360,326	93,790,154	55,301,958	32,047,768	341,294,496
Liabilities							
Due to other banks	3,811,517	2,267,167	4,281,217	1,780,511	-	2,760,130	14,900,542
Customer deposits	143,510,023	9,141,785	13,717,061	360,648	-	47,719,018	214,448,535
Repurchase agreements	8,861,993	1,395,073	3,108,006	6,245,035	-	174,838	19,784,945
Obligations under securitisation arrangements	-	-	-	14,171,437	29,675,175	445,452	44,292,064
Other borrowed funds	22,707	209,257	633,222	3,469,355	565,622	-	4,900,163
Other	-	-	-	-	-	3,847,486	3,847,486
Total financial liabilities	156,206,240	13,013,282	21,739,506	26,026,986	30,240,797	54,946,924	302,173,735
On balance sheet interest sensitivity gap	(55,920,038)	20,494,806	4,620,820	67,763,168	25,061,161	(22,899,156)	39,120,761
Cumulative interest sensitivity gap	(55,920,038)	(35,425,232)	(30,804,412)	36,958,758	62,019,917	39,120,761	

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46. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

	The Bank						
	Within 1 Month	**2 to 3 Months**	**4 to 12 Months**	**1 to 5 Years**	**Over 5 Years**	**Non-Interest Bearing**	**Total**
September 30, 2014	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets							
Cash in hand and balances at Central Bank	11,411,526	-	-	-	-	18,272,622	29,684,148
Due from other banks	14,085,902	3,051,228	-	-	-	3,296,758	20,433,888
Reverse repurchase agreements	40,000	-	1,416,032	-	-	15,294	1,471,326
Loans and advances net of provision for credit losses	63,660,215	26,043,098	3,920,235	41,820,968	16,804,956	4,086,396	156,335,868
Investment securities classified as available-for-sale and loans and receivables	15,602,639	4,772,382	7,314,591	66,959,104	19,604,670	2,212,442	116,465,828
Other	-	-	-	-	-	4,772,580	4,772,580
Total financial assets	104,800,282	33,866,708	12,650,858	108,780,072	36,409,626	32,656,092	329,163,638
Liabilities							
Due to other banks	1,464,586	2,068,948	4,561,756	1,867,942	-	2,667,058	12,630,290
Customer deposits	133,725,836	10,162,733	17,099,539	209,576	-	37,518,139	198,715,823
Repurchase agreements	10,935,113	4,799,776	31,741,244	2,250,536	-	420,070	50,146,739
Obligations under securitisation arrangements	-	13,844,560	-	-	-	41,017	13,885,577
Other borrowed funds	34,225	258,036	3,899,811	2,965,916	1,061,288	16,454	8,235,730
Other	-	-	-	-	-	7,321,509	7,321,509
Total financial liabilities	146,159,760	31,134,053	57,302,350	7,293,970	1,061,288	47,984,247	290,935,668
On balance sheet interest sensitivity gap	(41,359,478)	2,732,655	(44,651,492)	101,486,102	35,348,338	(15,328,155)	38,227,970
Cumulative interest sensitivity gap	(41,359,478)	(38,626,823)	(83,278,315)	18,201,787	53,556,125	38,227,970	

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46. 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 Bank			
	$	US$	CAN$	GBP	$	US$	CAN$	GBP
	%	%	%	%	%	%	%	%
September 30, 2015								
Assets								
Balances at Central Banks	0.2	0.01	0.4	-	0.2	0.01	0.4	-
Due from other banks	4.2	0.02	0.9	0.2	4.2	0.02	0.9	0.2
Investment securities at fair value through profit or loss	12.8	7.02	-	-	-	-	-	-
Reverse repurchase agreements	6.5	2.0	-	-	6.0	3.5	-	-
Loans and advances	15.5	7.4	-	-	15.5	7.4	-	-
Investment securities classified as available-for-sale and loans and receivables	7.3	5.9	-	4.2	7.2	6.6	-	6.8
Liabilities								
Due to other banks	4.9	3.9	0.3	0.5	4.9	3.9	0.3	0.5
Customer deposits	1.2	1.7	0.3	0.4	1.2	1.7	0.3	0.4
Repurchase agreements	7.5	4.6	0.3	0.8	7.5	4.6	0.3	0.8
Obligations under securitisation arrangements	-	6.6	-	-		6.6		
Other borrowed funds	7.2	4.6	-	-	7.2	4.6		
September 30, 2014								
Assets								
Balances at Central Banks	0.3	0.01	0.4	-	0.3	0.01	0.4	-
Due from other banks	6.3	2.4	0.8	0.3	6.3	2.4	0.8	0.3
Investment securities at fair value through profit or loss	-	6.5	-	-	-	-	-	-
Reverse repurchase agreements	7.5	3.5	-	-	6.9	4.1	-	-
Loans and advances	15.8	7.2	-	-	15.8	7.2	-	-
Investment securities classified as available-for-sale and loans and receivables	7.9	5.4	-	10.1	7.6	7.3	-	10.1
Liabilities								
Due to other banks	7.8	4.2	1.4	1.7	7.8	4.2	1.4	1.7
Customer deposits	1.6	1.7	0.3	0.4	1.6	1.7	0.3	0.4
Repurchase agreements	7.2	3.5	1.1	1.5	7.5	4.9	-	-
Obligations under securitisation arrangements	-	7.0	-	-	-	7.0	-	-
Other borrowed funds	5.8	6.3	-	-	7.7	4.4	-	-

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46. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

Interest rate sensitivity

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

The sensitivity of the profit or loss is the effect of the assumed changes in interest rates on net income based on the floating rate of non-trading financial assets and financial liabilities. The sensitivity of other comprehensive income is calculated by revaluing fixed rate available-for-sale financial assets for the effects of the assumed changes in interest rates. The 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 variable, variables had to be on an individual basis. It should be noted that movements in these variables are non-linear.

	The Group			
	Effect on Net Profit	Effect on Equity	Effect on Net Profit	Effect on Equity
	2015 $'000	2015 $'000	2014 $'000	2014 $'000
Change in basis points:				
Decrease - JMD -150 and USD -50	(526,677)	2,221,464	(475,006)	1,239,875
Increase - JMD +100 and USD +100	375,807	(2,909,161)	1,209,954	(3,675,092)

	The Bank			
	Effect on Net Profit	Effect on Equity	Effect on Net Profit	Effect on Equity
	2015 $'000	2015 $'000	2014 $'000	2014 $'000
Change in basis points:				
Decrease - JMD -150 and USD -50	(159,785)	1,181,220	(89,145)	683,835
Increase - JMD +100 and USD +100	106,523	(1,538,880)	222,862	(1,936,521)

46. Financial Risk Management (Continued)

(c) Market risk (continued)

(iii) Other price risk

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

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

Sensitivity to changes in price of equity securities

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

The sensitivity of the profit or loss is the effect of the assumed fair value changes of investment securities classified at fair value through profit or loss. The sensitivity of other comprehensive income is the effect of the assumed fair value changes of investment securities classified as available-for-sale. The 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 variable, variables had to be on an individual basis. It should be noted that movements in these variables are non-linear.

	The Group			
	Effect on Net Profit	Effect on Equity	Effect on Net Profit	Effect on Equity
	2015 $'000	2015 $'000	2014 $'000	2014 $'000
Percentage change in share price				
10% decrease	(20,395)	(62,085)	(11,433)	(81,866)
10% increase	20,395	62,085	11,433	81,866

	The Bank			
	Effect on Net Profit	Effect on Equity	Effect on Net Profit	Effect on Equity
	2015 $'000	2015 $'000	2014 $'000	2014 $'000
Percentage change in share price				
10% decrease	-	(10,369)	-	(38,865)
10% increase	-	10,369	-	38,865

46. Financial Risk Management (Continued)

(d) Derivative financial instruments

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

(e) Insurance risk

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

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

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

Life insurance risk

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

Frequency and severity of claims

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

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

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

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

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

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46. Financial Risk Management (Continued)

(e) Insurance risk (continued)

Life insurance risk (continued)

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

	Total Benefits Assured - Individual			
	2015		2014	
	$'000 Contracts with Investment Options	$'000 Contracts without Investment Options	$'000 Contracts with Investment Options	$'000 Contracts without Investment Options
Benefits assured per life assured ($'000)				
0 – 1,000	14,207,160	3,655,035	13,575,374	2,623,405
1,000 – 2,000	3,913,740	11,751,073	3,802,735	8,887,048
2,000 – 5,000	5,006,059	8,783,503	4,911,474	5,946,703
5,000 – 10,000	3,256,607	-	2,929,325	-
Over 10,000	3,826,638	-	3,769,785	-
	30,210,204	24,189,611	28,988,693	17,457,156

	Total Benefits Assured - Group			
	2015		2014	
	$'000 Before Re-insurance	$'000 After Re-insurance	$'000 Before Re-insurance	$'000 After Re-insurance
Benefits assured per life assured ($'000)				
0 – 1,000	15,678,860	15,678,470	15,557,713	15,557,030
1,000 – 2,000	12,576,523	12,571,475	12,080,916	12,078,730
2,000 – 5,000	14,779,023	14,630,525	16,329,026	16,181,778
5,000 – 10,000	13,818,252	10,524,162	13,821,887	10,080,728
Over 10,000	12,926,614	4,467,478	9,977,779	3,270,844
	69,779,272	57,872,110	67,767,321	57,169,110

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 $24,566,000 (2014 – $25,926,000). Premium income recognised in the income statement is shown net of these amounts.
- Policyholders' benefits recovered from reinsurers during the year under these contracts amounted to $25,010,000 (2014 – $6,042,000).
- At September 30, 2015, premiums payable under re-insurance contracts amounted to $2,044,000 (2014 – $1,663,000).
- At September 30, 2015, there were no amounts receivable from reinsurers in respect of policyholders' benefits (2014 – $Nil).

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46. Financial Risk Management (Continued)

(e) Insurance risk (continued)

Life insurance risk (continued)

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

	Total Annuities Payable	
	2015	**2014**
	$'000	**$'000**
Annuity payable per annum per annuitant ($'000)		
0 -100	36,630	32,488
100 – 300	89,790	75,727
300 – 500	105,702	90,594
500 – 1,000	176,180	150,968
Over 1,000	740,002	636,773
	1,148,304	986,550

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

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

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

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

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

46. Financial Risk Management (Continued)

(e) Insurance risk (continued)

Life insurance risk (continued)

Process used in deriving assumptions

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

Estimates are made in two stages:

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

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

Assumptions are considered to be 'best estimate' if, on average, the results are expected to be worse than the assumptions in 50% of possible scenarios and better in the other 50%. See Note 35 for details on policy assumptions.

Reinsurance risk

Reinsurance risk is the risk that a reinsurer will default and not honour obligations arising from claims. The Group limits the probable loss in the event of individual deaths and any single catastrophic accident occurrence by reinsuring its insurance risk above certain limits with other insurers. Reinsurance ceded does not discharge the Group's liability as the primary insurer. The Group manages reinsurance risk by selecting reinsurers with high credit ratings and monitoring these on an ongoing basis. The current reinsurer is Swiss Re (registered in Canada) whose financial strength rating from Standard & Poor's is AA- (at June 2015) and from AM Best A+ (at January 2015).

Retention limits represent the level of risk retained by the insurer. Coverage in excess of these limits is ceded to reinsurers up to the treaty limit, the limits of coverage accepted by the Group under these contracts falls into two main categories with limits of $2,000,000 and $5,000,000 per life, coverage in excess of these limits is ceded to reinsurers.

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46. Financial Risk Management (Continued)

(e) Insurance risk (continued)

Property and casualty insurance risk

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

Underwriting strategy

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

Reinsurance strategy

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

46. Financial Risk Management (Continued)

(e) Insurance risk (continued)

Property and casualty insurance risk (continued)

Motor insurance

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

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

Property insurance

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

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

Liability insurance

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

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

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46. Financial Risk Management (Continued)

(e) Insurance risk (continued)

Property and casualty insurance risk (continued)

Risk exposure and concentrations of risk

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

	Liability	Property	Motor	Other	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
2015					
Gross	108,303	1,881	4,983,287	786	5,094,257
Net of proportional reinsurance	107,388	1,866	4,941,199	779	5,051,232
2014					
Gross	116,835	38,521	4,928,125	1,678	5,085,159
Net of proportional reinsurance	114,548	37,767	4,831,652	1,646	4,985,613

Claims development

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

	2010	2011	2012	2013	2014	2015	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Estimate of cumulative claims at end of financial year							
One year later	2,236,996	2,077,084	1,951,568	2,170,646	2,208,371	1,774,537	
Two years later	2,258,643	2,023,825	2,018,656	2,316,690	2,162,612		
Three years later	2,400,597	2,404,734	2,211,216	2,304,783			
Four years later	2,574,326	2,542,644	2,325,720				
Five years later	2,647,397	2,649,596					
Estimate of cumulative claims	2,702,468	2,649,596	2,325,720	2,304,783	2,162,612	1,774,537	13,919,716
Cumulative payments to date	2,455,637	2,291,442	1,840,170	1,589,286	1,097,138	352,119	9,625,792
Net outstanding claims liability	246,831	358,154	485,550	715,497	1,065,474	1,422,418	4,293,924
Prior years' claims liability							358,860
Provision for adverse deviations							233,898
Provision for Unallocated Loss Adjustment Expenses							164,550
Final net claims liability							5,051,232

46. Financial Risk Management (Continued)

(f) Capital management

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

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

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

(i) The Bank

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

The Central Bank requires the Bank to:

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

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

Tier 1 capital: ordinary share capital, non-redeemable non-cumulative preference shares, retained earnings and reserves created by appropriations of retained earnings. The book value of goodwill and net unrealised loss positions arising from fair value accounting are deducted in arriving at Tier 1 capital; and

Tier 2 capital: non-redeemable cumulative preference shares, qualifying subordinated loan capital, collective impairment allowances and unrealised gains arising on fair valuation of instruments held as available-for-sale.

Investments and share of accumulated losses in associates 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-balance sheet 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, 2015.

46. Financial Risk Management (Continued)

(f) Capital management (continued)

(ii) NCB Insurance Company Limited

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

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

The relevant capital requirement is the Minimum Continuing Capital Surplus Ratio (MCCSR) determined in accordance with the FSC regulations. This ratio is calculated by the Appointed Actuary and reviewed by executive management, the Audit Committee and the Board of Directors. This measure is a risk-based formula that compares available capital and surplus to a minimum requirement set by the FSC in regard to the asset and liability profile of the company. The company met all FSC regulatory capital requirements as at September 30, 2015.

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

Dynamic capital adequacy testing (DCAT)

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

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

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

46. Financial Risk Management (Continued)

(f) Capital management (continued)

(iii) Advantage General Insurance Company Limited

The company is regulated by the FSC and is subject to regulatory capital tests employed by the regulator. Under the FSC regulations, the primary measure used to assess capital adequacy is the Minimum Capital Test (MCT). This measure is a risk-based formula that compares available capital and surplus to a minimum requirement set by the FSC in regard to the asset and liability profile of the company. As at September 30, 2015, the company was in compliance with the requirement set by the FSC.

(iv) NCB Capital Markets Limited

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

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

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

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

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

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

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

The company met all the FSC regulatory capital requirements as at September 30, 2015.

47. Fair Values of Financial Instruments

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

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

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

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

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

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

The valuation of unquoted equity instruments is subjective by nature. The determination of the fair values of unquoted equity securities requires the use of a number of individual pricing benchmarks which would involve unobservable inputs, such as earnings estimates, multiples of comparative companies, marketability discounts and discount rates. The Group's holdings of unquoted equity instruments are not significant and, therefore, the effects of using reasonably possible alternative valuation assumptions would not be material.

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47. Fair Values of Financial Instruments (Continued)

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

	The Group			
	Level 1	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
At September 30, 2015				
Financial assets				
Investment securities classified as available-for-sale				
Government of Jamaica debt securities	-	203,585,941	-	203,585,941
Government of Jamaica guaranteed corporate bonds	-	2,770,895	-	2,770,895
Other corporate bonds	-	8,602,279	-	8,602,279
Foreign government debt securities	-	2,331,787	-	2,331,787
Quoted equity securities	203,156	-	-	203,156
Unquoted equity securities	-	-	61,188	61,188
Unit trust investments	-	285,619	-	285,619
	203,156	217,576,521	61,188	217,840,865
Investment securities at fair value through profit or loss				
Government of Jamaica debt securities	-	467,741	-	467,741
Government of Jamaica guaranteed corporate bonds	-	14,606	-	14,606
Other corporate bonds	-	146,546	-	146,546
Foreign government debt securities	-	81,039	-	81,039
Quoted equity securities	221,503	-	-	221,503
	221,503	709,932	-	931,435
Derivative financial instruments	-	486,783	-	486,783
	424,659	218,773,236	61,188	219,259,083
Financial liabilities				
Derivative financial instruments	-	52,794	-	52,794
Liabilities under annuity and insurance contracts	-	-	34,689,274	34,689,274
	-	52,794	34,689,274	34,742,068

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47. Fair Values of Financial Instruments (Continued)

	The Group			
	Level 1	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
At September 30, 2014				
Financial assets				
Investment securities classified as available-for-sale				
Government of Jamaica debt securities	-	196,510,071	-	196,510,071
Government of Jamaica guaranteed corporate bonds	-	7,023,356	-	7,023,356
Other corporate bonds	-	7,851,319	-	7,851,319
Foreign government debt securities	-	4,372,082	-	4,372,082
Quoted equity securities	703,158	-	-	703,158
Unquoted equity securities	-	-	53,077	53,077
Unit trust investments	-	174,342	-	174,342
	703,158	215,931,170	53,077	216,687,405
Investment securities at fair value through profit or loss				
Government of Jamaica debt securities	-	231,305	-	231,305
Government of Jamaica guaranteed corporate bonds	-	19,228	-	19,228
Other corporate bonds	-	47,112	-	47,112
Foreign government debt securities	-	78,076	-	78,076
Quoted equity securities	142,020	-	-	142,020
	142,020	375,721	-	517,741
Derivative financial instruments	-	581,668	-	581,668
	845,177	216,888,559	53,077	217,786,813
Financial liabilities				
Derivative financial instruments	-	52,660	-	52,660
Liabilities under annuity and insurance contracts	-	-	34,230,910	34,230,910
	-	52,660	34,230,910	34,283,570

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

	The Group	
	2015	**2014**
	$'000	**$'000**
At start of year	53,077	137,498
Acquisitions	8,111	5,579
Equities transferred to investment in associates	-	(90,000)
At end of year	61,188	53,077

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

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47. Fair Values of Financial Instruments (Continued)

	The Bank			
	Level 1	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
At September 30, 2015				
Financial assets				
Investment securities classified as available-for-sale				
Government of Jamaica debt securities	-	89,271,681	-	89,271,681
Government of Jamaica guaranteed corporate bonds	-	1,347,444	-	1,347,444
Other corporate bonds	-	3,144,567	-	3,144,567
Foreign government debt securities	-		-	
Quoted equity securities	85,436	-	-	85,436
Unquoted equity securities	-	-	18,255	18,255
	85,436	93,763,692	18,255	93,867,383
Derivative financial instruments	-	433,989	-	433,989
	85,436	94,197,681	18,255	94,301,372
September 30, 2014				
Financial assets				
Investment securities classified as available-for-sale				
Government of Jamaica debt securities	-	95,747,802	-	95,747,802
Government of Jamaica guaranteed corporate bonds	-	338,384	-	338,384
Other corporate bonds	-	2,710,034	-	2,710,034
Foreign government debt securities	-	1,551,089	-	1,551,089
Quoted equity securities	370,399	-	-	370,399
Unquoted equity securities	-	-	18,255	18,255
	370,399	100,347,309	18,255	100,735,963
Derivative financial instruments	-	529,008	-	529,008
	370,399	100,876,317	18,255	101,264,971

There was no movement in the Bank's financial assets classified as Level 3 during.

47. Fair Values of Financial Instruments (Continued)

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

	The Group		The Bank	
	Carrying Value $'000	**Fair Value $'000**	**Carrying Value $'000**	**Fair Value $'000**
At September 30, 2015	53,541,421	53,458,852	26,201,511	26,197,086
At September 30, 2014	43,099,991	44,056,449	14,182,832	14,619,348

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

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

- The fair value of liquid assets and other assets maturing within one year (such as cash and balances at Central Banks and amounts due from other 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.

48. Acquisition of Subsidiary

NCB Global Finance Limited (formerly AIC Finance Limited)

On December 12, 2013, through its shareholding in NCB Capital Markets Limited, the Group acquired 100% of the share capital of AIC Finance Limited, a licensed financial institution in Trinidad and Tobago. The company was acquired from AIC Financial Group Limited, which is controlled by the Chairman of the Bank.

The acquired business contributed revenues of $133,834,000 and profits of $2,959,000 for the year ended September 30, 2014. Had the company been acquired at the beginning of the year, it would have contributed revenues of approximately $155,368,000 and loss of approximately $637,000 to the Group for the year ended September 30, 2014.

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

	Fair Values $'000
Net assets arising on the acquisition:	
Cash	95,837
Due from other banks	720,854
Reverse repurchase agreements	12,902
Loans and advances, net of provision for credit losses	369,833
Investment securities classified as available-for-sale an loans and receivables	549,876
Intangible assets	2,092
Property, plant and equipment	18,654
Other assets	16,156
Customer deposits	(1,208,438)
Other liabilities	(28,678)
	549,088

	$'000
Purchase consideration - Cash	(247,647)
Net assets acquired	549,088
Negative goodwill	301,441
Cash paid	(247,647)
Cash equivalents included in net assets acquired (cash and due from other banks)	816,691
Net cash inflow on acquisition	569,044

49. Regulatory Matters

At September 30, 2015, one of the subsidiaries within the Group was in breach of a regulatory concentration limit arising from cash holdings with the Bank pending purchases of investment securities. The investments were purchased and the breach was rectified in October 2015.

50. 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, 2015, the Group had financial assets under administration of approximately $53,224,372,663 (2014 – $51,810,051,000).

51. Dividends

The following dividends were paid during the year:

- $0.96 per ordinary stock unit was paid in December 2014
- $0.45 per ordinary stock unit was paid in February 2015
- $0.45 per ordinary stock unit was paid in May 2015
- $0.45 per ordinary stock unit was paid in August 2015

On November 12, 2015, the Board declared a final interim dividend in respect of 2015 of $0.85 per ordinary stock unit. The dividend is payable on December 11, 2015 for stockholders on record as at November 27, 2015. The financial statements for the year ended September 30, 2015 do not reflect this resolution, which will be accounted for in stockholders' equity as an appropriation of retained profits in the year ending September 30, 2016.

52. Litigation and Contingent Liabilities

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

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

Significant matters are as follows:

(a) Suit has been filed by the Bank's Staff Association against the Bank seeking various declarations regarding the Bank's profit sharing scheme, in particular as it relates to the financial year ended September 30, 2002. The Association has not quantified the claim. No provision has been made in the financial statements as the Bank's attorneys are of the opinion that the claim in respect of the amount of the profit sharing scheme for the financial year ended September 30, 2002 against the Bank is unlikely to succeed.

(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.

52. Litigation and Contingent Liabilities (Continued)

(c) Suit has been filed by a customer against the Bank for damages suffered as a result of the Bank's alleged negligence in relation to the sale of property. The proper value of the property, which had been owned by the customer, is in issue, along with the amount properly to be applied to the customer's loan balance. Based on the advice of the Bank's attorneys, a provision has been made in the financial statements in respect of this claim. The Court has not yet delivered its judgment.

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

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

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

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53. Restatement

Effective October 1, 2014, the Group adopted IFRIC 21 retrospectively in accordance with the provisions set out in the standard.

The effect of adoption on the consolidated and Bank statement of financial position as at September 2013 and 2014, and the income statement and statement of comprehensive income for the year ended September 30, 2014 are shown in the tables below. There was no effect on the statement of cash flows.

In addition, the Group reclassified certain items mainly relating to deferred tax on post-employment benefit obligations to retained earnings from fair value reserves as at September 30, 2014. The effect of the reclassification on the consolidated statement of financial position is shown below.

Effect on the consolidated statement of financial position as at September 30, 2014:

	As previously stated	**Effect of IFRIC 21**	**Effect of reserve reclassification**	**As restated**
	$'000	**$'000**	**$'000**	**$'000**
Other liabilities	9,373,059	(1,232,631)	-	8,140,428
Total liabilities	418,731,340	(1,232,631)	-	417,498,709
Fair value and capital reserves	2,407,267	-	163,738	2,571,005
Retained earnings	40,425,607	1,232,631	(163,738)	41,494,500
Total Equity and Liabilities	499,345,092	-	-	499,345,092

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53. Restatement (Continued)

Effect on the consolidated income statement and statement of comprehensive income for the year ended September 30, 2014:

	As previously stated	Effect of IFRIC 21	As restated
	$'000	$'000	$'000
Operating income	43,253,649	-	43,253,649
Other operating expenses	10,425,940	(685,047)	9,740,893
Operating expenses	30,021,989	(685,047)	29,336,942
Operating Profit	13,231,660	685,047	13,916,707
Negative goodwill on acquisition of subsidiary	301,441	-	301,441
Share of profit of associates	902,696	-	902,696
Gain on disposal of investment in associate	349,042	-	349,042
Profit before Taxation	14,784,839	685,047	15,469,886
Taxation	(3,142,766)	-	(3,142,766)
Net Profit	11,642,073	685,047	12,327,120
Other comprehensive income	(92,025)	-	(92,025)
Total Comprehensive Income	11,550,048	685,047	12,235,095
Earnings per stock unit ($)	4.73	0.28	5.01

Effect on the consolidated statement of financial position as at September 30, 2013:

	As previously stated	Effect of IFRIC 21	As restated
	$'000	$'000	$'000
Other liabilities	6,778,092	(547,584)	6,230,508
Total liabilities	374,605,919	(547,584)	374,058,335
Retained earnings	33,311,585	547,584	33,859,169
Total Equity and Liabilities	446,575,055	-	446,575,055

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53. Restatement (Continued)

Effect on the Bank's statement of financial position as at September 30, 2014:

	As previously stated $'000	Effect of IFRIC 21 $'000	As restated $'000
Other liabilities	7,739,326	(735,591)	7,003,735
Total liabilities	296,999,822	(735,591)	296,264,231
Retained earnings	7,609,390	735,591	8,344,981
Total Equity and Liabilities	342,558,739	-	342,558,739

Effect on the Bank's statement of comprehensive income for the year ended September 30, 2014:

	As previously stated $'000	Effect of IFRIC 21 $'000	As restated $'000
Operating income	28,634,102	-	28,634,102
Other operating expenses	8,376,294	(370,006)	8,006,288
Operating expenses	21,220,899	(370,006)	20,850,893
Operating profit	7,413,203	370,006	7,783,209
Gain on disposal of investment in associate	1,796,456	-	1,796,456
Profit before Taxation	9,209,659	370,006	9,579,665
Taxation	(1,361,327)	-	(1,361,327)
Net Profit	7,848,332	370,006	8,218,338
Other comprehensive income	42,257	-	42,257
Total Comprehensive Income	7,890,589	370,006	8,260,595

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53. Restatement (Continued)

Effect on the Bank's statement of financial position as at September 30, 2013:

	As previously stated	Effect of IFRIC 21	As restated
	$'000	$'000	$'000
Other liabilities	5,500,609	(365,585)	5,135,024
Total liabilities	254,759,451	(365,585)	254,393,866
Retained earnings	4,496,097	365,585	4,861,682
Total Equity and Liabilities	295,338,559	-	295,338,559