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INDEPENDENT AUDITORS' REPORT

To the Members of
JN BANK LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of JN Bank Limited ("the Bank") comprising the separate financial statements of the Bank and the consolidated financial statements of the Bank and its subsidiary ("the Group"), set out on pages 5 to 84, which comprise the statements of financial position as at March 31, 2018, the statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Bank as at March 31, 2018, and of the Group's and the Bank's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JN BANK LIMITED

Report on additional matters 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 maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner required.

KPMG
Chartered Accountant
Kingston, Jamaica

July 27, 2018

Statements of Financial Position
March 31, 2018

	Notes	Group 2018 $'000	Group 2017 $'000	Bank 2018 $'000	Bank 2017 $'000
ASSETS					
Cash and cash equivalents	6	26,602,881	24,481,461	26,602,881	24,297,053
Securities purchased under resale agreements	7	922,137	6,340,142	922,137	6,340,142
Investments	8	52,017,064	46,522,447	52,017,064	46,310,393
Other assets	9	395,212	806,134	395,212	753,134
Due from related entities	10(b)(i)	1,587,054	1,140,828	1,587,054	1,103,919
Taxation recoverable		933,529	814,839	933,529	814,840
Interest in subsidiary	11	-	-	-	545,300
Interest in associate	12	173,866	149,005	123,012	156,841
Loans, after allowance for impairment losses	13	78,970,035	75,685,561	78,970,035	70,661,186
Assets held for sale	14	428,919	522,793	428,919	522,793
Investment properties	15	180,608	160,291	180,608	160,291
Property, plant and equipment	16	3,431,067	3,880,983	3,431,067	3,434,847
Intangible assets	17	162,963	170,790	162,963	166,575
Deferred tax assets	18	230,250	427,046	230,250	427,046
Total assets		166,035,585	161,102,320	165,984,731	155,694,360
LIABILITIES					
Bank overdraft (unsecured)	6(c)	-	12,646	-	12,646
Due to specialised financial institutions		17,398,102	15,947,521	17,398,102	15,947,521
Customer deposits	19	115,873,375	116,212,458	115,873,375	109,312,357
Due to related entities	10(b)(ii)	-	-	-	2,141,298
Securities sold under repurchase agreements	20	8,735,145	7,186,955	8,735,145	7,186,955
Other payables	21	1,546,444	1,280,255	1,546,444	1,186,327
Margin loan payable	22	2,506,396	-	2,506,396	-
Taxation payable		98,199	-	98,199	-
Employee benefits obligation	23(a)	1,248,296	1,001,769	1,248,296	1,001,769
Total liabilities		147,405,957	141,641,604	147,405,957	136,788,873
EQUITY					
Share capital	24	4,511,000	4,511,000	4,511,000	4,511,000
Reserve fund	25	7,600,000	7,600,000	7,600,000	7,600,000
Contractual savings reserve	26	14,223	14,223	14,223	14,223
Other reserves	27	4,119,320	4,578,856	4,108,252	4,083,582
Retained earnings		2,385,085	2,722,136	2,345,299	2,696,682
Total equity attributable to equity holders of the Bank		18,629,628	19,426,215	18,578,774	18,905,487
Non-controlling interest		-	34,501	-	-
Total equity		18,629,628	19,460,716	18,578,774	18,905,487
Total liabilities and equity		166,035,585	161,102,320	165,984,731	155,694,360

The financial statements on pages 5 to 84 were approved for issue by the Board of Directors on July 27, 2018 and signed on its behalf by:

Director
Oliver F. Clarke

Director
Dhiru Tanna

Director
Raphael Gordon

Statements of Profit or Loss
Year ended March 31, 2018

	Notes	Group 2018 $'000	Group 2017 $'000	Bank 2018 $'000	Bank 2017 $'000
Interest revenue:					
Interest on loans		7,035,507	6,513,862	6,684,893	6,125,198
Interest on investments		2,680,909	3,094,881	2,646,132	3,005,565
		9,716,416	9,608,743	9,331,025	9,130,763
Interest expense	29	(2,207,080)	(2,167,529)	(2,095,676)	(1,982,630)
Net interest revenue		7,509,336	7,441,214	7,235,349	7,148,133
Other operating income	30	2,989,751	2,712,531	2,880,627	2,641,191
Operating expenses	31	(10,029,786)	(10,167,500)	(9,717,205)	(9,841,494)
Operating profit/(loss)		469,301	(13,755)	398,771	(52,170)
Gain on disposal of investments		851,078	479,830	810,104	450,230
Share of profit/(loss) of associate	12	58,282	(42,731)	-	-
Unrealised foreign exchange (loss)/gain		(53,470)	148,648	(53,470)	148,648
Profit before taxation		1,325,191	571,992	1,155,405	546,708
Taxation	32	(526,881)	(67,664)	(526,881)	(67,664)
Profit for the year		798,310	504,328	628,524	479,044
Attributable to:					
The Bank		795,303	501,533	628,524	479,044
Non-controlling interest		3,007	2,795	-	-
		798,310	504,328	628,524	479,044

To be read in conjunction with the accompanying notes to the financial statements.

Bank

Audited Results Year Ended March 31, 2018

Statements of Other Comprehensive Income
Year ended March 31, 2018

	Notes	Group 2018 $'000	Group 2017 $'000	Bank 2018 $'000	Bank 2017 $'000
Profit for the year		798,310	504,328	628,524	479,044
Other comprehensive income:					
Items that are or may be reclassified to profit or loss:					
Translation of foreign subsidiary balances		-	57,777	-	-
Realised gain on investments recognised in statement of profit or loss		(851,078)	(481,046)	(810,104)	(450,230)
Increase in fair value of available-for-sale investments		756,850	567,982	715,876	520,732
Deferred tax on available-for-sale investments	18	31,409	(168,291)	31,409	(168,291)
		(62,819)	(23,578)	(62,819)	(97,789)
Items that will never be reclassified to profit or loss:					
Remeasurement of employee benefits obligation	23(d)	(90,627)	(67,608)	(90,627)	(67,608)
Deferred tax on employee benefits obligation	18	30,209	22,536	30,209	22,536
		(60,418)	(45,072)	(60,418)	(45,072)
Total other comprehensive loss for the year		(123,237)	(68,650)	(123,237)	(142,861)
Total comprehensive income for the year		675,073	435,678	505,287	336,183
Attributable to:					
The Bank		672,066	434,337	505,287	336,183
Non-controlling interest		3,007	1,341	-	-
		675,073	435,678	505,287	336,183

Group Statement of Changes in Equity
Year ended March 31, 2018

	Share capital $'000 (note 24)	Permanent capital fund $'000 [note 38(i)]	Reserve fund $'000 (note 25)	Contractual savings reserve $'000 (note 26)	Other reserves $'000 (note 27)	Retained earnings $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Balances as at March 31, 2016, as restated	4,511,000	-	7,600,000	14,223	4,755,492	2,106,222	18,986,937	30,575	19,017,512
Balances as at March 31, 2016									
As previously stated	-	6,940,000	7,600,000	14,223	2,326,492	3,371,860	20,252,575	30,575	20,283,150
Prior year adjustments [note 38(i)]	4,511,000	(6,940,000)	-	-	2,429,000	(1,265,638)	(1,265,638)	-	(1,265,638)
As restated	4,511,000	-	7,600,000	14,223	4,755,492	2,106,222	18,986,937	30,575	19,017,512
Total comprehensive income for the year:									
Profit for the year	-	-	-	-	-	501,533	501,533	2,795	504,328
Other comprehensive income:									
Translation of foreign subsidiary's balances	-	-	-	-	59,880	-	59,880	(2,103)	57,777
Realised gain on investments recognised in statement of profit or loss	-	-	-	-	(479,830)	-	(479,830)	(1,216)	(481,046)
Deferred tax on available-for-sale investments	-	-	-	-	(168,291)	-	(168,291)	-	(168,291)
Increase in fair value of available-for-sale investments	-	-	-	-	566,117	-	566,117	1,865	567,982
Remeasurement of employee benefits obligation	-	-	-	-	-	(67,608)	(67,608)	-	(67,608)
Deferred tax on employee benefits obligation	-	-	-	-	-	22,536	22,536	-	22,536
Total other comprehensive loss	-	-	-	-	(22,124)	(45,072)	(67,196)	(1,454)	(68,650)
Total comprehensive (loss)/income	-	-	-	-	(22,124)	456,461	434,337	1,341	435,678
Movement between reserves:									
Transfer to credit loss reserve	-	-	-	-	(162,038)	159,453	(2,585)	2,585	-
Transaction with owners									
Net assets transferred [note 38(ii)]	-	-	-	-	7,526	-	7,526	-	7,526
Balances at March 31, 2017	4,511,000	-	7,600,000	14,223	4,578,856	2,722,136	19,426,215	34,501	19,460,716
Total comprehensive income for the year:									
Profit for the year	-	-	-	-	-	795,303	795,303	3,007	798,310
Other comprehensive income:									
Realised gain on investments recognised in statement of profit or loss	-	-	-	-	(851,078)	-	(851,078)	-	(851,078)
Deferred tax on available-for-sale investments	-	-	-	-	31,409	-	31,409	-	31,409
Increase in fair value of available-for-sale investments	-	-	-	-	756,850	-	756,850	-	756,850
Remeasurement of employee benefits obligation	-	-	-	-	-	(90,627)	(90,627)	-	(90,627)
Deferred tax on employee benefits obligation	-	-	-	-	-	30,209	30,209	-	30,209
Total other comprehensive loss	-	-	-	-	(62,819)	(60,418)	(123,237)	-	(123,237)
Total comprehensive (loss)/income	-	-	-	-	(62,819)	734,885	672,066	3,007	675,073
Movement between reserves:									
Transfer to credit loss reserve	-	-	-	-	64,133	(71,561)	(7,428)	-	(7,428)
Transactions with owners									
Net assets transferred (note 11)	-	-	-	-	(460,850)	(168,375)	(629,225)	(37,508)	(666,733)
Dividends (note 39)	-	-	-	-	-	(832,000)	(832,000)	-	(832,000)
	-	-	-	-	(460,850)	(1,000,375)	(1,461,225)	(37,508)	(1,498,733)
Balances as at March 31, 2018	4,511,000	-	7,600,000	14,223	4,119,320	2,385,085	18,629,628	(-)	18,629,628

Bank Statement of Changes in Equity
Year ended March 31, 2018

	Share capital $'000 (note 24)	Permanent capital fund $'000 [note 38(i)]	Reserve fund $'000 (note 25)	Contractual savings reserve $'000 (note 26)	Other reserves $'000 (note 27)	Retained earnings $'000	Total $'000
Balances as at March 31, 2016 as restated	4,511,000	-	7,600,000	14,223	4,210,031	2,226,524	18,561,778
Balances as at March 31, 2016							
As previously stated	-	6,940,000	7,600,000	14,223	1,781,031	3,492,162	19,827,416
Prior year adjustments [note 38(i)]	4,511,000	(6,940,000)	-	-	2,429,000	(1,265,638)	(1,265,638)
As restated	4,511,000	-	7,600,000	14,223	4,210,031	2,226,524	18,561,778
Total comprehensive income for the year:							
Profit for the year	-	-	-	-	-	479,044	479,044
Other comprehensive income:							
Realised gain on investments recognised in statement of profit or loss	-	-	-	-	(450,230)	-	(450,230)
Increase in fair value of available-for-sale investments	-	-	-	-	520,732	-	520,732
Deferred tax on available-for -sale investments	-	-	-	-	(168,291)	-	(168,291)
Remeasurement of employee benefits obligation	-	-	-	-	-	(67,608)	(67,608)
Deferred tax on employee benefits obligation	-	-	-	-	-	22,536	22,536
Total other comprehensive loss	-	-	-	-	(97,789)	(45,072)	(142,861)
Total comprehensive (loss)/income	-	-	-	-	(97,789)	433,972	336,183
Movements between reserves:							
Transfer to credit loss reserve	-	-	-	-	(36,186)	36,186	-
Transaction with owners:							
Net assets transferred [note 38(ii)]	-	-	-	-	7,526	-	7,526
Balances as at March 31, 2017	4,511,000	-	7,600,000	14,223	4,083,582	2,696,682	18,905,487
Total comprehensive income for the year:							
Profit for the year	-	-	-	-	-	628,524	628,524
Other comprehensive income:							
Realised gain on investments recognised in statement of profit or loss					(810,104)		(810,104)
Increase in fair value of available-for-sale investments					715,876		715,876
Deferred tax on available-for -sale investments	-	-	-	-	31,409	-	31,409
Remeasurement of employee benefits obligation	-	-	-	-	-	(90,627)	(90,627)
Defered tax on employee benefits obligation	-	-	-	-	-	30,209	30,209
Total other comprehensive loss	-	-	-	-	(62,819)	(60,418)	(123,237)
Total comprehensive income	-	-	-	-	(62,819)	568,106	505,287
Movements between reserves:							
Transfer to credit loss reserve	-	-	-	-	87,489	(87,489)	-
Transaction with owners:							
Dividends (note 39)	-		-	-	-	(832,000)	(832,000)
Balances as at March 31, 2018	4,511,000		7,600,000	14,223	4,108,252	2,345,299	18,578,774

Group Statement of Cash Flows
Year ended March 31, 2018

	2018 $'000	2017 $'000
Cash flows from operating activities		
Profit for the year	798,310	504,328
Adjustments to reconcile profit to net cash provided by operating activities:		
Depreciation - property, plant and equipment and investment properties	421,892	397,197
Amortisation of intangible assets	81,295	62,108
Gain on disposal of property, plant and equipment and investment properties	(2,468)	(5,734)
Gain on disposal of investments	(851,076)	(479,830)
Gain from foreign exchange rate changes	19,901	(669,655)
Translation differences	25,992	37,218
Share of (profit)/loss of associate	(58,282)	42,731
Dividend income	(23,226)	(265,233)
Gain on disposal of foreclosed properties	(4,925)	(21,580)
Net increase/(decrease) in provision for loan losses	158,699	(127,222)
Interest income	(9,716,416)	(9,608,743)
Interest expense	2,207,080	2,167,529
Current tax expense	268,467	263,891
Deferred taxation	258,414	(196,227)
Net decrease on foreclosed properties	(48,834)	(80,861)
Employee benefits obligation	155,907	160,723
	(6,309,270)	(7,819,360)
Changes in operating assets and liabilities:		
Net additions to loans	(8,651,908)	(10,690,428)
Taxation (payable)/recoverable	(49,443)	569,268
Other assets	398,585	(193,317)
Due from related entities	100,868	(267,508)
Other payables	2,800,155	284,690
Net receipts from customer deposits	4,251,268	14,187,516
Due to specialised financial institutions	1,513,715	1,195,305
Securities purchased under resale agreements	5,426,628	611,596
Due to related entities	-	(1,087,280)
Securities sold under repurchase agreements	1,558,507	6,211,003
	1,039,105	3,001,485
Dividends paid	(832,000)	-
Interest paid	(2,327,473)	(2,059,234)
Interest received	9,631,417	9,459,215
Income tax paid	(239,515)	(235,142)
Net cash provided by operating activities	7,271,534	10,166,324
Cash flows from investing activities		
Investments	(24,940,746)	(7,746,479)
Dividend received	23,226	265,233
Assets held for sale	(16,981)	21,707
Purchase of intangible assets	(77,729)	(139,713)
Purchase and tranfers of property, plant and equipment and investment properties	(447,489)	(565,676)
Proceeds from disposal of property, plant and equipment and investment properties	8,721	35,029
Proceeds from disposal of assets held for sale	164,614	209,966
Proceeds from disposal of investments	19,604,183	16,826,968
Net cash (used in)/provided by investing activities	(5,682,201)	8,907,035
Cash flows from financing activities		
Bank overdraft	(12,646)	12,646
Net assets transferred	-	7,526
Net cash (used in)/provided by financing activities	(12,646)	20,172
Net increase in cash and cash equivalents	1,576,687	19,093,531
Cash and cash equivalents at beginning of the year	24,481,461	5,437,567
Effects of exchange rate changes on cash and cash equivalents	544,733	(49,637)
Cash and cash equivalents at end of the year	26,602,881	24,481,461

Bank Statement of Cash Flows
Year ended March 31, 2018

	2018 $'000	2017 $'000
Cash flows from operating activities		
Profit for the year	628,524	479,044
Adjustments to reconcile profit to net cash provided by operating activities:		
Depreciation - property, plant and equipment and investment properties	402,816	378,997
Amortisation of intangible assets	79,218	60,765
Gain on disposal of property, plant and equipment	(2,468)	(5,734)
Gain on disposal of foreclosed properties	(4,925)	(21,580)
Gain on disposal of investments	(810,104)	(450,230)
Loss/(gain) from foreign exchange rate changes	19,901	(669,655)
Dividend income	(23,226)	(265,233)
Interest income	(9,331,025)	(9,130,763)
Interest expense	2,095,676	1,982,630
Tax expense	268,467	263,891
Deferred taxation	258,414	(196,227)
Net increase/(decrease) in provision for loan losses	158,699	41,568
Employee benefits obligation	155,907	160,723
Net decrease in foreclosed properties	(48,834)	(80,861)
	(6,152,960)	(7,452,665)
Changes in operating assets and liabilities:		
Net additions to loans	(8,677,135)	(9,489,382)
Taxation (payable)/recoverable	(49,442)	569,268
Other assets	345,585	(225,786)
Other payables	2,877,983	234,504
Net receipts from customers deposits	5,889,610	11,794,843
Due to related entities	(2,132,551)	1,054,018
Due from related entities	(483,135)	(365,001)
Due to specialised financial institutions	1,513,715	1,195,305
Securities purchased under resale agreements	5,426,628	611,596
Securities sold under repurchase agreements	1,558,507	6,211,003
	116,805	4,137,703
Dividends paid	(832,000)	-
Interest paid	(2,216,069)	(1,876,467)
Interest received	9,246,026	9,028,246
Income tax paid	(239,515)	(235,142)
Net cash provided by operating activities	6,075,247	11,054,340
Cash flows from investing activities		
Investments	(24,144,424)	(8,866,172)
Interest in subsidiary	545,300	-
Interest in associates	33,829	(7,588)
Dividend received	23,226	265,233
Assets held for sale	(16,981)	21,707
Purchases and transfers of intangible assets	(75,606)	(134,232)
Purchase of property, plant and equipment and investment properties and transfers	(444,367)	(516,299)
Proceeds from disposal of assets held for sale	164,614	209,966
Proceeds from disposal of property, plant and equipment	8,721	35,029
Proceeds from disposal of investments	19,604,182	16,826,967
Net cash (used in)/provided by investing activities	(4,301,506)	7,834,611
	1,773,741	18,888,951
Cash flows from financing activities		
Bank overdraft	(12,646)	12,646
Net assets transferred	-	7,526
Net cash (used in)/provided by financing activities	(12,646)	20,172
Net increase in cash and cash equivalents	1,761,095	18,909,123
Cash and cash equivalents at beginning of the year	24,297,053	5,437,567
Effects of exchange rate changes on cash and cash equivalents	544,733	(49,637)
Cash and cash equivalents at end of the year	26,602,881	24,297,053

To be read in conjunction with the accompanying notes to the financial statements.

Notes to the Financial Statements
March 31, 2018

1. The Bank

JN Bank Limited ("the Bank") commenced business on February 1, 2017, subsequent to the granting of a licence under the Banking Services Act, 2014, by virtue of the conversion of The Jamaica National Building Society ("the Building Society").

The Bank's registered office is located at 2-4 Constant Spring Road, Kingston 10. Its principal activities are comprised of granting home and other loans, operating savings and current accounts and buying and selling of foreign exchange.

The Scheme of Arrangement ("the Scheme") by which the JN Group has been reorganised under three distinct holding companies was sanctioned by Order of the Supreme Court on December 22, 2016. Among other things, the Scheme resulted in the conversion of The Jamaica National Building Society to a commercial bank licensed under the Banking Services Act, 2014 on February 1, 2017. Upon the Scheme taking effect on February 1, 2017, ownership of the Bank passed to the JN Financial Group Limited (parent) and the ultimate holding company became The Jamaica National Group Limited. The entities were incorporated in Jamaica under the Jamaican Companies Act.

"Group" refers to the Bank, its subsidiary and associate as follows:

Name of company	Country of incorporation	Percentage ownership 2018	Percentage ownership 2017	Nature of business
Subsidiary:				
JN Cayman Limited	Cayman Islands	-	95.89	Mortgage lending on residential properties and other financial services
Associate:				
JN Money Services (Cayman) Limited	Cayman Islands	20.00	20.00	Money services business including remittances and bill payments.

As the reorganisation was a transaction among entities under common control, the Group applied predecessor value method of accounting. Under the predecessor method:

- The Group did not restate assets and liabilities to their fair values. Instead, the Group incorporated the assets and liabilities at the amounts recorded in the books of the combined companies, adjusted to achieve harmonisation of accounting policies.
- No goodwill arose.
- The consolidated financial statements incorporated the combined companies' results as if the companies had always been combined.
- The corresponding amounts in the consolidated financial statements for the previous year reflected the results of the combined companies, as though the restructuring occurred at the beginning of the prior year.

On March 29, 2018 the Bank transferred its shares in JN Cayman Limited to its parent company JN Financial Group Limited for $547,094,000. This consideration was in the form of a debenture issued by JN Financial Group Limited [see note 10(b)(1)].

2. Licence and regulations

The Bank is licensed, and the financial statements are delivered, under the Banking Services Act, 2014 and the Banking Services Regulations, 2015 which became effective on September 30, 2015. The licence which was held by the Building Society was relinquished on January 31, 2017 in exchange for the banking licence, with an effective date of February 1, 2017 (see note 1).

3. Statement of compliance and basis of preparation

(a) Statement of compliance:

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations as issued by the International Accounting Standards Board (IASB), and comply with the provisions of the Jamaican Companies Act.

Details of the Bank's accounting policies, including changes during the year, are included in notes 40 and 41.

(b) Basis of preparation:

The financial statements are prepared on the historical cost basis, except for the following:

- financial instruments at fair value through profit or loss are measured at fair value;
- available-for-sale financial assets are measured at fair value;
- the liability for defined-benefit obligations is recognised as the present value of the defined-benefit obligations.

(c) Functional and presentation currency

The financial statements are presented in Jamaica dollars, which is the functional currency of the Bank, and are expressed in thousands of dollars unless otherwise stated.

(d) Use of estimates and judgements:

The preparation of the financial statements in conformity with IFRS requires management to make estimates, assumptions and judgement that affect the reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended. Although these estimates are based on management's best knowledge of current events and actions, actual amounts could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 4.

(e) Comparative information:

Wherever necessary, the comparative figures are reclassified to conform to the current year's presentation.

4. Accounting estimates and judgements

The key sources of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on amounts recognised in the financial statements, or which have a risk of material adjustment in the next year, are as follows:

(a) Key sources of estimation uncertainty:

(i) Post-retirement benefits:

The amounts recognised in the statements of financial position, profit or loss and other comprehensive income for certain post-retirement benefits are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognised include the discount rate used to determine the present value of estimated future cash flows required to settle the post-retirement obligations and the expected rate of increase in medical costs for post-retirement medical benefits.

The discount rate is determined based on the estimate of yield on long-term government securities that have maturity dates approximating the terms of the Group's obligation. In the absence of such instruments in Jamaica, it has been necessary to estimate the rate by extrapolating from the longest-tenor security on the market. The estimate of expected rate of increase in medical costs is determined based on inflationary factors. Any changes in these assumptions will impact the amounts recorded in the financial statements for these obligations.

4. Accounting estimates and judgements (continued)

(a) Key sources of estimation uncertainty (continued):

(ii) Allowance for impairment losses:

In determining amounts recorded for impairment of loans and receivables in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from loans, for example, repayment default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired loans, as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are not observable on individual significant loans and loan portfolios with similar characteristics, such as credit risks.

(iii) Valuation of financial instruments:

The Group's accounting policy on fair value measurements is discussed in accounting policy [see note 41(d)(vii)].

When measuring the fair value of an asset or liability, the Group uses market observation data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 – Quoted market price (unadjusted) in an active market for identical assets or liabilities.
- Level 2 – Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3 – Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cashflow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk free and benchmark interest rates, credit spreads and other risk premia used in estimating discount rates.

Considerable judgment is required in interpreting market data to arrive at estimates of fair values for levels 2 and 3. Consequently, the estimates arrived at may be significantly different from the actual price of the instrument in an arm's length transaction.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

(iv) Residual value and expected useful life of property, plant and equipment:

The residual value and expected useful life of an asset are reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change is accounted for. The useful life on an asset is defined in terms of the assets expected utility to the Group.

(b) Critical accounting judgements in applying accounting policies:

(i) Held-to-maturity investments:

Non-derivative financial assets with fixed or determinable payments and fixed maturity may be classified as held-to-maturity, if an entity has the positive intent and ability to hold these instruments to maturity. In classifying financial assets as held-to-maturity, the Group has determined that it has both the positive intention and ability to hold the assets until maturity date.

(ii) Impairment of investment in equity securities:

Investments in equity securities are evaluated for impairment on the basis described in accounting policy [41(d)(vi)].

For an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. In this respect, the Group regards a decline in fair value in excess of 20 percent to be "significant" and a decline in a quoted market price that persists for nine months or longer to be "prolonged".

(iii) Deferred tax assets:

The recognition of a deferred tax asset requires management to make assumptions concerning future taxable profits against which deferred tax assets can be recovered.

It is reasonably probable, based on existing knowledge, that outcomes within the next financial year that are different from these assumptions could require a material adjustment to the carrying amount reflected in the financial statements.

5. Responsibilities of the appointed actuaries and external auditors

The actuaries have been appointed by management pursuant to the requirements of IAS 19. With respect to preparation of financial statements, the actuaries are required to carry out an actuarial valuation of management's estimate of the Group's health and Group life liabilities and report thereon to the members.

The valuation is made in accordance with accepted actuarial practice, as well as any other matter specified in any directive made by regulatory authorities. The actuaries, in their verification of the management information provided by the Group and used in the valuation, also make use of the work of the external auditors. The actuary's reports outline the scope of their work and opinion. An actuarial valuation is prepared annually.

The external auditors have been appointed by the shareholders to conduct an independent and objective audit of the financial statements of the Group and the Bank 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 actuaries and their report on the Group's post-employment and other obligations. The auditors' report outlines the scope of their audit and their opinion.

6. Cash and cash equivalents

	Group 2018 $'000	Group 2017 $'000	Bank 2018 $'000	Bank 2017 $'000
Cash reserve with Bank of Jamaica [see (a)]	14,875,474	14,264,439	14,875,474	14,264,439
Short-term bank deposits	-	478,306	-	-
Cash and cash equivalents [see (b)]	11,727,407	9,738,716	11,727,407	10,032,614
	26,602,881	24,481,461	26,602,881	24,297,053

(a) Statutory reserves, required by regulation to be held at Bank of Jamaica, comprise cash reserves not available for use by the Bank and are determined by the percentage of average prescribed liabilities stipulated by Bank of Jamaica.

As a Bank, at March 31, 2018, the cash reserve requirement is twelve percent (12%) for Jamaica dollars and fourteen percent (14%) for foreign currency of the average prescribed liabilities, respectively. At March 31, 2018, the Bank met the cash reserve requirements.

(b) The Bank has the following securities pledged:

(i) $321,500,000 (2017: $275,458,000) to facilitate settlement of Multilink transactions;
(ii) $Nil (2017: $50,500,000) with a commercial bank to cover uncleared funds up to a limit of $Nil (2017: $500,000,000);
(iii) $2,896,000 (2017: $2,844,000) with a commercial bank to cover a third party guarantee;
(iv) $62,659,900 (2017: $12,822,000) for bid collateral; and
(v) $9,327,154,000 (2017: $7,533,450,000) for repurchase agreements collateral.

(c) The Bank has a $145,000,000 (2017: $200,000,000) unsecured overdraft facility with a commercial bank. The amount drawn under the overdraft facility as at March 31, 2018 is $Nil (2017: $12,646,000).

(d) Cash and cash equivalents include cash collected on behalf of related entities amounting to $218,173,000 (2017: $213,174,000) (see note 21).

Notes to the Financial Statements (Continued)
March 31, 2018

7. Securities purchased under resale agreements

	Group and Bank	
	2018	2017
	$'000	$'000
Principal	921,919	6,331,301
Interest receivable	218	8,841
	922,137	6,340,142

At March 31, 2018, securities obtained and held under resale agreements had a fair value of $1,137,263,000 (2017: $6,881,465,000).

Securities purchased under resale agreements are due from the reporting date, excluding interest receivable, as follows:

	Group and Bank	
	2018	2017
	$'000	$'000
Within 3 months	921,919	3,895,182
3 months to 1 year	-	2,436,119
	921,919	6,331,301

8. Investments

	Group		Bank	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Loans and receivables				
Corporate bonds	757,247	773,649	757,247	773,649
Certificates of deposit	13,491,529	13,403,615	13,491,529	13,403,615
Promissory note	30,000	-	30,000	-
	14,278,776	14,177,264	14,278,776	14,177,264
Available-for-sale				
Corporate bonds	12,030,150	5,389,835	12,030,150	5,194,481
Government of Jamaica securities	22,925,637	25,882,520	22,925,637	25,882,520
Treasury bills	2,004,019	-	2,004,019	-
Quoted equities	153,474	198,580	153,474	198,580
Unquoted equities [see (i) below]	29,353	80	29,353	80
	37,142,633	31,471,015	37,142,633	31,275,661
At fair value through profit or loss				
Foreign exchange forward contracts	-	30,452	-	30,452
Government of Jamaica securities	-	106,532	-	106,532
	-	136,984	-	136,984
Sub-total	51,421,409	45,785,263	51,421,409	45,589,909
Interest receivable	595,655	737,184	595,655	720,484
	52,017,064	46,522,447	52,017,064	46,310,393

(i) This is stated after deducting provision for impairment of $1,964,000 (2017: $1,964,000). During the year, the Bank purchased $29,273,000 of shares in Automated Payments Limited, an automated clearing house operator.

(ii) Investments are due from the reporting date, excluding interest receivable, as follows:

	Group		Bank	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
No specific maturity	182,827	198,660	182,827	198,660
Within 3 months	9,647,697	4,805,349	9,647,697	4,805,349
3 months to 1 year	10,049,849	3,646,522	10,049,849	3,646,522
1 year to 5 years	12,144,961	22,571,272	12,144,961	22,571,272
5 years and over	19,396,075	14,563,460	19,396,075	14,368,106
	51,421,409	45,785,263	51,421,409	45,589,909

9. Other assets

	Group		Bank	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Other receivables	353,397	780,994	353,397	727,994
Inventories	41,815	25,140	41,815	25,140
	395,212	806,134	395,212	753,134

10. Related party balances and transactions

(a) Identity of related parties:

The Bank has a related party relationship with its subsidiary, parent, ultimate parent, fellow subsidiaries, associate, pension scheme, directors, companies owned by directors, and other key management personnel and JN Foundation.

(b) Balances with related entities:

	Group		Bank	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
(i) Due from related entities				
Due from ultimate parent	12,794	361,959	12,794	361,959
Due from parent (1)	547,094	24,185	547,094	24,185
Due from other related entities	1,027,166	754,684	1,027,166	717,775
	1,587,054	1,140,828	1,587,054	1,103,919

(1) This includes an unsecured debenture note issued by the parent as consideration for the transfer of the Bank shares held in JN Cayman Limited (see note 1) $547,094,000. It bears interest at a fixed rate of 6% per annum and is payable quarterly. The note becomes due at March 31, 2021.

	Group and Bank	
	2018	2017
	$'000	$'000
(ii) Due to related entities		
Due to related entities	-	2,141,298

The balances due from/to related entities are interest-free, unsecured and have no fixed repayment terms, except as indicated in (1) above.

(c) The statement of financial position includes balances arising in the ordinary course of business, with related parties as follows:

	Group		Bank	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Cash and cash equivalents				
Other related entities	66,900	-	66,900	-
Securities purchased under resale agreements				
Other related entities	304,360	77,083	304,360	77,083
Other assets				
Other related entities	60,155	159,032	60,155	159,032
Loans				
Directors	40,722	71,910	40,722	36,761
Other key management personnel	129,315	124,240	129,315	124,240
Customer deposits				
Directors	69,814	950,210	69,814	30,049
Subsidiary	-	-	-	850,998
Other key management personnel	57,346	89,586	57,346	89,586
Ultimate parent company	191,703	200,396	191,703	200,396
Parent company	152,109	210,544	152,109	210,544
Other related entities	2,488,159	1,283,432	2,488,159	927,464
Securities sold under repurchase agreements				
Other related entities	-	4,053,563	-	4,053,563
Other payables				
Other related entities	241,065	35,267	241,065	35,267

10. Related party balances and transactions (continued)

(d) The profit before taxation includes income earned from, and expenses incurred in, transactions with related parties in the ordinary course of business as follows:

	Group		Bank	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Related entities:				
Dividends	-	(220,307)	-	(220,307)
Interest income	(21,397)	(12,587)	(21,323)	(12,587)
Management fees	(40,156)	(459,261)	(971,596)	(459,261)
Other income	(1,115,769)	(134,745)	(171,176)	(123,522)
Maintenance expenses	143,564	89,197	26,517	89,197
Management fees	19,692	-	18,600	56,689
Computer related expenses	162,173	46,580	209,404	46,580
Commission	282,566	180,054	249,909	180,054
Other expenses	116,586	90,470	337,460	90,470
Insurance	96,756	99,522	100,567	99,522
Interest expense	-	1,320	56,984	-
Marketing	139,293	-	135,165	-
Other related parties:				
Interest expense	-	35,298	-	-
Contribution to pension scheme	110,530	111,493	110,530	111,493
Contribution to Foundations	50,400	38,083	50,400	38,083

(e) Compensation paid to key management personnel (directors and senior executives) is as follows:

	Group		Bank	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Short-term benefits	134,138	276,132	117,479	275,912
Post-employment benefits	4,172	7,115	3,405	6,992
	138,310	283,247	120,884	282,904

11. Interest in subsidiary

	Bank	
	2018	2017
	$'000	$'000
Shares, at cost or written down value (see note 1)	-	545,300

On March 29, 2018, the Bank transferred its investment in JN Cayman Limited to its parent JN Financial Group Limited.

The net assets transferred are as follows:

	$'000
Assets:	
Investment	187,133
Cash and cash equivalents	862,217
Trade and other receivables	4,999,148
Property, plant and equipment	422,826
Intangible asset	4,261
	6,475,585
Liabilites:	
Long-term liabilities	(5,261,758)
Net assets transferred	1,213,827
Consideration [note 10(b)(1)]	(547,094)
Excess of net assets transferred over consideration	666,733

12. Interest in associate

	Group		Bank	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Shares, net (see note 1)	173,866	149,005	123,012	156,841

Interest in associate held by the Bank represents a 20% shareholding in JN Money Services (Cayman) Limited.

	JN Money Services (Cayman) Limited	
	2018	2017
	$'000	$'000
Percentage ownership interest	**20%**	**20%**
Non-current assets	393,145	394,433
Current assets	826,892	663,931
Current liabilities	(350,705)	(316,781)
Net assets (100%)	869,332	741,583
Group's share of net assets (20%)	173,866	148,317
Translation adjustments	-	688
Carrying amount of interest in associate	173,866	149,005
Revenue	831,488	783,956
Expenses	(540,077)	(994,172)
Profit/(loss)and total comprehensive income/(loss) (100%)	291,411	(210,216)
Profit/(loss)and total comprehensive income/(loss) (20%)	58,282	(42,043)
Translation adjustments	-	(688)
Group's share of profit or loss and total comprehensive income	58,282	(42,731)

13. Loans, after allowance for impairment losses

	Group		Bank	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Mortgage loans - principal	65,816,147	65,516,399	65,816,147	60,502,633
Term loans	1,484,343	1,766,340	1,484,343	1,755,731
Other loans	11,248,387	8,030,117	11,248,387	8,030,117
	78,548,877	75,312,856	78,548,877	70,288,481
Accrued interest	421,158	372,705	421,158	372,705
	78,970,035	75,685,561	78,970,035	70,661,186

The Bank's mortgage loan agreements include the right to call mortgages at any time with six months' notice, except for new loans, which cannot be called until six months after the issue date.

Loans, less allowance for losses, are due from the reporting date, excluding interest receivable, as follows:

	Group		Bank	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Within 3 months	1,299,323	478,972	1,299,323	478,972
3 months to 1 year	467,331	1,448,107	467,331	1,442,584
1 year to 5 years	10,256,692	10,830,733	10,256,692	10,694,450
5 years and over	66,525,531	62,555,044	66,525,531	57,672,475
	78,548,877	75,312,856	78,548,877	70,288,481

The Bank's loan portfolio, less allowance for losses, is concentrated as follows:

	Number of accounts		Value	
	2018	2017	2018	2017
			$'000	$'000
Professional and other services	616	333	1,519,326	603,244
Individuals	39,650	29,231	69,856,896	63,690,957
Corporations	660	334	7,593,813	6,366,985
	40,926	29,898	78,970,035	70,661,186

Loans and advances on which interest is no longer accrued [see note 41(r)] amounted to $7,816,915,000 (2017: $7,732,764,000) for the Group and $7,816,915,000 (2017: $6,705,390,000) for the Bank. This represents 9.82% (2017: 10.07%) of the gross loan portfolio for the Group and 9.82% (2017: 9.38%) for the Bank. These loans are included in the financial statements, net of allowance for losses.

Notes to the Financial Statements (Continued)
March 31, 2018

13. Loans, after allowances for impairment losses (continued)

Impairment losses on loans are as follows:

	Group 2018 $'000	Group 2017 $'000	Bank 2018 $'000	Bank 2017 $'000
At beginning of the year	1,138,878	1,283,778	817,248	775,680
Increase in allowance made during the year	158,739	34,277	158,450	41,568
Written back during the year	(321,919)	(179,177)	-	-
At end of the year [note 34(b)]	975,698	1,138,878	975,698	817,248

Allowance for loan losses made in accordance with the requirements of IFRS is as follows:

	Group 2018 $'000	Group 2017 $'000	Bank 2018 $'000	Bank 2017 $'000
Specific provision	713,188	870,727	713,188	549,097
General provision	262,510	268,151	262,510	268,151
	975,698	1,138,878	975,698	817,248

Provisions made in accordance with Bank of Jamaica and other provisioning requirements are as follows:

	Group 2018 $'000	Group 2017 $'000	Bank 2018 $'000	Bank 2017 $'000
Specific provision	1,428,126	1,990,874	1,428,126	1,474,428
General provision	936,704	688,199	936,704	644,463
	2,364,830	2,679,073	2,364,830	2,118,891

The total provision is broken down as follows:

	Group 2018 $'000	Group 2017 $'000	Bank 2018 $'000	Bank 2017 $'000
Provision as per IFRS [note 34(b)]	975,698	1,138,878	975,698	817,248
Additional provision based on Bank of Jamaica and other provisioning requirements [note 27(c)]	1,389,132	1,540,195	1,389,132	1,301,643
	2,364,830	2,679,073	2,364,830	2,118,891

Included in mortgage loans for the Group and Bank are balances due from directors and companies controlled by directors amounting to $40,631,000 (2017: $36,761,000) and interest due on these loans of $98,000 (2017: $Nil).

14. Assets held for sale

	Group and Bank 2018 $'000	Group and Bank 2017 $'000
Foreclosed properties	903,766	948,806
Less impairment losses (see note below)	(474,847)	(426,013)
	428,919	522,793

Movement on impairment losses is as follows:

	Group and Bank 2018 $'000	Group and Bank 2017 $'000
At beginning of year	426,013	506,874
Increase/(decrease) in allowance	48,834	(80,861)
At end of year	474,847	426,013

The Bank acquired real properties through foreclosure on collateral held as securities against loans. Foreclosed properties should be disposed of within 3 years of acquisition, in accordance with Section 53(1) of the Banking Services Act, 2014 [see note 41(i)].

15. Investment properties

	Group and Bank $'000
At cost:	
March 31, 2016	181,011
Transfers from property, plant and equipment (note 16)	16,002
Disposals	(7,104)
March 31, 2017	189,909
Transfers from property, plant and equiptment (note 16)	42,505
March 31, 2018	232,414
Depreciation:	
March 31, 2016	49,504
Charge for the year	8,357
Transfers to property, plant and equipment (note 16)	(24,609)
Eliminated on disposals	(3,634)
March 31, 2017	29,618
Transfers from property, plant and equipment (note 16)	20,758
Charge for the year	1,430
March 31, 2018	51,806
Carrying values:	
March 31, 2018	180,608
March 31, 2017	160,291
March 31, 2016	131,507

	Group and Bank 2018 $'000	Group and Bank 2017 $'000
Fair value of investment properties	535,912	280,912
Income earned from the properties	38,121	6,867
Expenses incurred by the properties	33,110	6,165

Measurement of fair value:

The fair value of investment properties is categorised as level 3 in the fair value hierarchy. The following table shows the valuation technique used in measuring the fair value as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter relationship between key inputs and fair measurement
Income approach: The valuation model examines the price an investor would be prepared to pay for the right to receive a certain income stream. The model considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rate, and current rental rates. The estimated net cash flows are discounted using current yields. Among other factors, the yield estimation considers the quality of a building and its location, tenants' credit quality and lease terms.	• Expected market rental growth yields • Rental rates	The estimated fair value would increase/(decrease) if: • Expected market rental growth were higher/(lower); • The occupancy rates were higher/(lower) • Rent-free periods were shorter/(longer); or • Yields were lower/(higher)

16. Property, plant and equipment

Group	Freehold land and buildings $'000	Leasehold land and buildings $'000	Computers and office equipment $'000	Motor vehicles $'000	Work-in-progress $'000	Total $'000
At cost:						
March 31, 2016	2,258,590	212,173	2,518,208	582,815	892,376	6,464,162
Additions	38,946	-	192,418	154,364	179,948	565,676
Transfers	831,602	26,739	35,994	-	(894,335)	-
Transfer to investment properties (note 15)	(16,002)	-	-	-	-	(16,002)
Disposals	-	-	(17,517)	(33,120)	-	(50,637)
Translation adjustments	22,973	1,249	4,101	465	-	28,788
March 31, 2017	3,136,109	240,161	2,733,204	704,524	177,989	6,991,987
Additions	2,941	1,073	269,465	36,189	137,821	447,489
Transfers	214,122	31,764	-	-	(245,886)	-
Transfer to investment properties (note 15)	(42,505)	-	-	-	-	(42,505)
Disposals	-	-	(2,143)	(18,320)	-	(20,463)
Translation adjustments	(8,788)	(442)	(675)	(291)	(693)	(10,889)
Transfer of subsidiary	(505,680)	(25,372)	(88,784)	(16,746)	-	(636,582)
Writen-off	-	-	-	-	(23,096)	(23,096)
March 31, 2018	2,796,199	247,184	2,911,067	705,356	46,135	6,705,941
Depreciation:						
March 31, 2016	419,065	160,766	1,800,945	332,775	-	2,713,551
Charge for the year	68,108	21,419	192,133	107,179	-	388,839
Transfer from investment properties (note 15)	24,609	-	-	-	-	24,609
Translation adjustments	3,854	1,249	3,320	394	-	8,817
Eliminated on disposals	-	-	(2,834)	(21,978)	-	(24,812)
March 31, 2017	515,636	183,434	1,993,564	418,370	-	3,111,004
Charge for the year	87,998	38,208	194,083	100,173	-	420,462
Transfer to investment properties (note 15)	(20,758)	-	-	-	-	(20,758)
Translation adjustments	(1,709)	(442)	(3,232)	1,852	-	(3,531)
Eliminated on disposals	-	-	(1,980)	(16,567)	-	(18,547)
Transfer of subsidiary	(101,517)	(25,371)	(72,763)	(14,105)	-	(213,756)
March 31, 2018	479,650	195,829	2,109,672	489,723	-	3,274,874
Net book values:						
March 31, 2018	2,316,549	51,355	801,395	215,633	46,135	3,431,067
March 31, 2017	2,620,473	56,727	739,640	286,154	177,989	3,880,983
March 31, 2016	1,839,525	51,407	717,263	250,040	892,376	3,750,611

Bank	Freehold land and buildings $'000	Leasehold land and buildings $'000	Computers and office equipment $'000	Motor vehicles $'000	Work-in-progress $'000	Total $'000
At cost:						
March 31, 2016	1,806,775	187,608	2,437,574	573,647	892,376	5,897,980
Additions	-	-	189,390	146,960	179,949	516,299
Disposals	-	-	(17,517)	(33,120)	-	(50,637)
Transfer to investment properties (note 15)	(16,002)	-	-	-	-	(16,002)
Transfers	831,602	26,739	35,994	-	(894,335)	-
March 31, 2017	2,622,375	214,347	2,645,441	687,487	177,990	6,347,640
Additions	2,207	1,073	267,769	36,189	137,129	444,367
Disposals	-	-	(2,143)	(18,320)	-	(20,463)
Transfers	214,122	31,764	-	-	(245,886)	-
Transfer to investment properties (note 15)	(42,505)	-	-	-	-	(42,505)
Writen-off	-	-	-	-	(23,098)	(23,098)
March 31, 2018	2,796,199	247,184	2,911,067	705,356	46,135	6,705,941
Depreciation:						
March 31, 2016	344,773	136,201	1,736,097	325,285	-	2,542,356
Charge for the year	55,830	21,419	188,408	104,983	-	370,640
Transfer from investment properties (note 15)	24,609	-	-	-	-	24,609
Eliminated on disposals	-	-	(2,834)	(21,978)	-	(24,812)
March 31, 2017	425,212	157,620	1,921,671	408,290	-	2,912,793
Charge for the year	75,196	38,208	189,981	98,001	-	401,386
Eliminated on disposals	-	-	(1,980)	(16,567)	-	(18,547)
Transfer to investment properties (note 15)	(20,758)	-	-	-	-	(20,758)
March 31, 2018	479,650	195,828	2,109,672	489,724	-	3,274,874
Net book values:						
March 31, 2018	2,316,549	51,356	801,395	215,632	46,135	3,431,067
March 31, 2017	2,197,163	56,727	723,770	279,197	177,990	3,434,847
March 31, 2016	1,462,002	51,407	701,477	248,362	892,376	3,355,624

Included in freehold land and buildings is the cost of land at $115,264,000 (2017: $115,264,000) for the Group and the Bank.

17. Intangible assets

	Group Software $'000	Bank Software $'000
At cost:		
March 31, 2016	653,852	641,039
Additions	139,713	134,232
Translation adjustment	587	-
March 31, 2017	794,152	775,271
Additions	77,729	75,606
Transfer of subsidiary	(20,681)	-
March 31, 2018	851,200	850,877
Amortisation:		
March 31, 2016	560,567	547,931
Charge for the year	62,108	60,765
Translation adjustment	687	-
March 31, 2017	623,362	608,696
Charge for the year	81,295	79,218
Transfer of subsidiary	(16,420)	-
March 31, 2018	688,237	687,914
Net book values:		
March 31, 2018	162,963	162,963
March 31, 2017	170,790	166,575
March 31, 2016	93,285	93,108

18. Deferred tax assets

	Group and Bank					
	Assets		Liabilities		Net	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Property, plant and equipment	151,846	135,379	-	-	151,846	135,379
Employee benefits obligation	416,099	333,923	-	-	416,099	333,923
Other payables	29,715	48,759	-	-	29,715	48,759
Contractual savings reserve	-	-	(4,267)	(4,267)	(4,267)	(4,267)
Available-for-sale investments	-	-	(136,882)	(168,291)	(136,882)	(168,291)
Tax losses	-	270,623	-	-	-	270,623
Impairment losses on loans	-	-	(65,419)	-	(65,419)	-
Unrealised foreign exchange gains	-	-	(160,842)	(189,080)	(160,842)	(189,080)
Net deferred tax assets	597,660	788,684	(367,410)	(361,638)	230,250	427,046

Notes to the Financial Statements (Continued)
March 31, 2018

18. Deferred tax assets (continued)

Group and Bank

2018	Balances at April 1, 2017 $'000	Recognised in profit $'000	Recognised in other comprehensive income $'000	Balances at March 31, 2018 $'000
Property, plant and equipment	135,379	16,467	-	151,846
Employee benefits obligation	333,923	51,967	30,209	416,099
Other payables	48,759	(19,044)	-	29,715
Contractual savings reserve	(4,267)	-	-	(4,267)
Available-for-sale investments	(168,291)	-	31,409	(136,882)
Tax losses	270,623	(270,623)	-	-
Impairment losses on loans	-	(65,419)	-	(65,419)
Unrealised foreign exchange gains	(189,080)	28,238	-	(160,842)
	427,046	(258,414)	61,618	230,250

2017	Balances at April 1, 2016 $'000	Recognised in profit $'000	Recognised in other comprehensive income $'000	Balances at March 31, 2017 $'000
Property, plant and equipment	243,328	(107,949)	-	135,379
Employee benefits obligation	232,031	79,356	22,536	333,923
Other payables	11,160	37,599	-	48,759
Contractual savings reserve	(4,267)	-	-	(4,267)
Available-for-sale investments	-	-	(168,291)	(168,291)
Tax losses	-	270,623	-	270,623
Unrealised foreign exchange gains	(105,678)	(83,402)	-	(189,080)
	376,574	196,227	(145,755)	427,046

Movement in temporary differences during the year:

	Group and Bank 2018 $'000	2017 $'000
Net deferred tax assets at beginning of year	427,046	376,574
Recognised in other comprehensive income:		
Available-for-sale investments	31,409	(168,291)
Employee benefits obligation	30,209	22,536
Recognised in statements of profit or loss [note 32(a)(ii)]	(258,414)	196,227
Net deferred tax assets at end of year	230,250	427,046

19. Customer deposits

	Group 2018 $'000	Group 2017 $'000	Bank 2018 $'000	Bank 2017 $'000
Deposits	115,636,428	115,853,090	115,636,428	109,028,468
Accrued interest	236,947	359,368	236,947	283,889
	115,873,375	116,212,458	115,873,375	109,312,357

Customer deposits are due from the reporting date as follows:

	Group 2018 $'000	Group 2017 $'000	Bank 2018 $'000	Bank 2017 $'000
Within 3 months	102,643,058	104,317,798	102,643,058	99,989,592
From 3 months to 1 year	11,909,423	11,601,114	11,909,423	9,034,230
Over 1 year	1,320,894	293,546	1,320,894	288,535
	115,873,375	116,212,458	115,873,375	109,312,357

The Bank's customer deposits portfolio is concentrated as follows:

	Number of accounts 2018	Number of accounts 2017	Value 2018 $'000	Value 2017 $'000
Public authorities	802	707	509,219	1,107,505
Financial institutions	178	154	2,797,397	2,665,230
Commercial and business	5,747	6,847	10,614,762	10,370,387
Individuals	824,457	915,934	101,951,997	95,169,235
	831,184	923,642	115,873,375	109,312,357

20. Securities sold under repurchase agreements

	Group and Bank 2018 $'000	2017 $'000
Principal	8,699,510	7,141,003
Interest payable	35,635	45,952
	8,735,145	7,186,955

Securities sold under repurchase agreements are due from the reporting date, excluding interest receivable, as follows:

	Group and Bank 2018 $'000	2017 $'000
Within 3 months	7,348,870	4,745,787
From 3 months to 1 year	1,350,640	2,395,216
	8,699,510	7,141,003

At March 31, 2018, securities obtained under resale agreements and certain investments have been pledged by the Group and Bank as collateral for repurchase agreements. These financial instruments have a carrying value of $9,809,127,000 (2017: $7,895,074,000).

21. Other payables

	Group 2018 $'000	Group 2017 $'000	Bank 2018 $'000	Bank 2017 $'000
Staff related accrual	253,924	266,864	253,924	258,668
Insurance payable	153,310	69,446	153,310	18,380
Trade payables	470,836	339,911	470,836	339,911
Other payables	356,060	390,860	356,060	356,194
Customers' deposits [see (i) below]	312,314	213,174	312,314	213,174
	1,546,444	1,280,255	1,546,444	1,186,327

(i) Customers' deposits include amounts collected from customers on behalf of related entities amounting to $218,173,000 (2017: $213,174,000) [see note 6(d)].

22. Margin loan payable

Margin loan payable represents short-term debt facility provided by brokerage firm to the Bank to acquire securities on its own account. The facility is collateralised by the securities held with a brokerage firm and bears interest at 2.3% per annum.

23. Employee benefits obligation

The Bank provides post-retirement pension benefits through a defined-contribution scheme which replaced a prior defined-benefit pension scheme for its employees. The pensioners in the defined-benefit scheme were transferred to a defined-contribution scheme, with the guarantee of their pension payments, and active members started to contribute on a defined-contribution basis. The scheme is funded by contributions from the Bank and employees in accordance with the rules of the scheme.

Under the defined-contribution schemes, retirement benefits are based on the Bank's and employees' accumulated contributions, plus interest and, therefore, the Bank has no further liability to fund pension benefits. During a prior period, the trustees of the scheme purchased annuities for the transferring pensioners in the scheme, thereby, removing the liabilities of the guarantee of the pension payments from the scheme.

The subsidiary participates in a defined-contribution pension scheme (Cayman National Pension Plan) in its respective jurisdiction.

The total contributions made for the year are included in employee costs (note 33).

The Bank provides post-retirement health insurance benefits to retirees who have met certain minimum service requirements.

23. Employee benefits obligation (continued)

The amounts recognised in the statement of financial position for employee benefits in respect of the group life and health insurance plans are as follows:

(a) Employee benefits obligation recognised in the statement of financial position:

	Group and Bank 2018 $'000	2017 $'000
Present value of unfunded obligations	1,248,296	1,001,769

(b) Movement in the present value of unfunded obligations:

	Group and Bank 2018 $'000	2017 $'000
Present value of unfunded obligations and supplementary benefit at beginning of year	1,001,769	773,438
Benefits paid	(6,147)	(8,667)
Service costs	90,897	97,746
Interest cost	71,157	71,644
Actuarial loss/(gain) arising from:		
Experience adjustments	1,712	(4,545)
Demographic assumption	61,002	(25,212)
Financial assumptions	27,906	97,365
Balances at end of year	1,248,296	1,001,769

(c) Expenses recognised in the statement of profit or loss:

	Group and Bank 2018 $'000	2017 $'000
Current service costs	48,162	51,573
Past service cost	42,735	46,173
Interest cost on obligation	71,157	71,644
	162,054	169,390

(d) Items recognised in other comprehensive income:

	Group and Bank 2018 $'000	2017 $'000
Remeasurement loss on obligation	90,627	67,608

(e) Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2018 %	2017 %
Discount rate at March 31	7.5	9.5
Health cost inflation rate	6.0	8.0
Salary growth rate	5.5	6.5

(f) Sensitivity analysis:

Sensitivity analysis on projected benefit obligation:

The calculation of the projected benefit obligation is sensitive to the assumptions used. The table below summarizes how the projected benefit obligation measured at the end of the reporting period would have increased/(decreased) as a result of a change in the respective assumptions by one percentage point. In preparing the analyses for each assumption, all others were held constant. The economic assumptions are somewhat linked as they are all related to inflation. Hence, for example, a 1% reduction in the long-term discount rate, would cause some reduction in the medical trend rate.

	2018 Increase 1% $'000	2018 Decrease 1% $'000	2017 Increase 1 % $'000	2017 Decrease 1 % $'000
Discount rate	(254,966)	349,746	(197,807)	269,201
Health inflation rate	316,207	(234,478)	254,297	(189,461)
Salary increase rate	3,178	(2,805)	1,453	(1,283)

(g) At March 31, 2018, the weighted average duration of the defined benefit obligation was 24.9 years (2017: 24.5 years).

(h) As mortality continues to improve, estimates of life expectancy are expected to increase. An increase of one year in life expectancy will increase the employee benefits obligation by approximately $43,587,000 (2017: $36,000,000) while a decrease of one year in life expectancy will result in a decrease in the employee benefits obligation by approximately $7,781,000 (2017: $5,400,000).

24. Share capital

Issued and fully paid:

	Number of units ('000) 2018	Number of units ('000) 2017	Carrying value ('000) 2018	Carrying value ('000) 2017
Ordinary stock units	4,511,000	4,511,000	4,511,000	4,511,000

The number of shares which the Bank is authorised to issue is unlimited.

25. Reserve fund

In accordance with the Banking Services Act, 2014 and regulations under which it operates, the Bank is required to make transfers of a minimum of 15% of net profits, until the amount in the fund is equal to 50% of the paid-up capital of the Bank and thereafter, 10% of the net profits until the reserve fund is equal to its paid-up capital.

26. Contractual savings reserve

Under the previously operated scheme, the members, after meeting certain criteria, including saving a contracted sum at a fixed rate of 3% per annum, became eligible to apply for a mortgage loan at a fixed rate of 5% per annum. The reserve was established in anticipation of the shortfall in interest income in future years, from the provision of this facility. Management constantly monitors the adequacy of the reserve and makes appropriate adjustments, as necessary.

27. Other reserves

	Group 2018 $'000	Group 2017 $'000	Bank 2018 $'000	Bank 2017 $'000
Other reserve	16,356	16,357	16,356	16,356
Exchange equalisation reserve [see (a)]	11,068	258,614	-	-
Retained earnings reserve [see note 28]	2,429,000	2,429,000	2,429,000	2,429,000
Investment revaluation reserve [see (b)]	273,764	334,690	273,764	336,583
Credit loss reserve [see (c)]	1,389,132	1,540,195	1,389,132	1,301,643
	4,119,320	4,578,856	4,108,252	4,083,582

(a) In the prior year this represented foreign exchange adjustments arising on the translation of foreign subsidiary's balances for consolidation purposes.

(b) This represents unrealised gain on the revaluation of available-for-sale investments.

(c) This is a non-distributable reserve representing the excess of regulatory and other provisions over the IFRS provision for loan losses (note 13).

28. Retained earnings reserve

The Banking Services Act, 2014 permits transfers from the Bank's net profit to retained earnings reserve, which constitutes a part of the capital base. Transfers to the retained earnings reserve are made at the discretion of the Board of Directors. Such transfers must be notified to Bank of Jamaica and any reversal must be approved by Bank of Jamaica (note 27).

29. Interest expense

	Group		Bank	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Customer deposits	1,249,407	1,401,543	1,139,074	1,216,644
Other	957,673	765,986	956,602	765,986
	2,207,080	2,167,529	2,095,676	1,982,630

30. Other operating income

	Group		Bank	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Fair value loss on put option	(106,532)	(123,835)	(106,532)	(123,835)
Realised foreign exchange gain on trading	920,235	832,310	920,235	832,310
Management fees	1,026,914	556,288	997,414	555,853
Fee and commission income	824,416	915,448	796,893	857,082
Dividends	23,226	265,233	23,226	265,233
Other	301,492	267,087	249,391	254,548
	2,989,751	2,712,531	2,880,627	2,641,191

31. Operating expenses

	Group		Bank	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Administrative	3,463,650	3,142,336	3,416,186	3,116,354
Advertising and promotion	478,416	671,362	469,430	665,794
Audit fees	54,893	43,541	39,250	27,920
Bad debts written-off for loans and other receivables	223,310	418,859	204,706	368,273
Depreciation and amortisation	503,187	459,305	482,034	439,762
Employee costs (note 33)	4,739,397	4,768,140	4,597,913	4,677,210
Impairment losses	65,893	143,029	64,637	80,861
Legal and professional fees	501,040	520,928	443,049	465,320
	10,029,786	10,167,500	9,717,205	9,841,494

32. Taxation

(a) Taxation is based on the profit for the year, as adjusted for income tax purposes, and is made up as follows:

	Group and Bank	
	2018 $'000	2017 $'000
(i) Current tax expense:		
Income tax on the Bank	268,467	246,082
Adjustment in respect of prior year	-	17,809
	268,467	263,891
(ii) Deferred taxation:		
Origination and reversal of temporary differences (note 18)	(12,209)	74,396
Tax losses (note 18)	270,623	(270,623)
	258,414	(196,227)
Total taxation in statements of profit or loss	526,881	67,664

(b) Reconciliation of effective tax charge:

Taxation is computed at rates of 15% and 30% and 33⅓% for the Group and Bank. The effective tax rate for 2018 was 39.75% (2017: 11.83%) of $1,325,191,000 (2017: $571,992,000) pre-tax profit for the Group and 45.60% (2017: 12.38%) of $1,155,405,000 (2017: $546,708,000) pre-tax profit for the Bank. The actual charge differs from the "expected" tax charge for the year as follows:

	Group		Bank	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Profit before taxation	1,325,191	571,992	1,155,405	546,708
Computed "expected" tax expense at 15%	3,484	6,739	3,484	6,739
Computed "expected" tax expense at 30% and 33⅓%	441,730	171,598	385,135	164,012
	445,214	178,337	388,619	170,751
Difference between profit for financial statements, and tax reporting purposes on -				
Depreciation charge and capital allowances	13,207	112,685	13,207	112,685
Gain on disposal of property, plant and equipment	(807)	(172)	(807)	(172)
Unfranked and exempt income	(46,599)	(92,812)	(46,599)	(92,812)
Effect of tax rate in foreign jurisdiction	-	(7,586)	-	-
Gain on disposal of investments	(185,969)	(26,673)	(185,969)	(26,673)
Prior year under provision	-	17,809	-	17,809
Disallowed expenses, net	263,597	(92,674)	320,192	(92,674)
Tax losses	38,238	(21,250)	38,238	(21,250)
Actual tax charge	526,881	67,664	526,881	67,664

(c) As at January 31, 2014, tax losses may be carried forward indefinitely, however, the amount that can be utilised in any one year is restricted to 50% of the current year's taxable profits. At the reporting date, unused tax losses of approximately $Nil (2017: $811,870,000) is being carried forward for offset against future taxable profits for the Group and the Bank.

33. Employee costs

The aggregate staff costs were as follows:

	Group		Bank	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Salaries	3,247,783	3,074,389	3,127,840	2,996,121
Pension, group life and health contributions	382,119	214,006	365,352	201,344
Statutory contributions	364,674	351,421	359,900	351,421
Other	744,821	1,128,324	744,821	1,128,324
	4,739,397	4,768,140	4,597,913	4,677,210

34. Financial risk management

(a) Overview

The Group has exposure to the following financial risks from its operations and the use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Finance Committee, the Risk and Compliance Unit, Asset and Liability Committee and Audit Committee, which are responsible for developing and monitoring risk management policies in their specified areas. These committees have both executive and non-executive members and report to the Board of Directors on their activities.

The Group's risk management policies are established to identify, assess and measure the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The focus of financial risk management for the Group is ensuring that the Group has adequate economic capital and that the use of and proceeds from its financial assets are sufficient to fund the obligations arising from its deposit base and other contractual liabilities.

34. Financial risk management (continued)

(a) Overview (continued)

The goal of the investment management process is to, within the policy guidelines, optimise the after-tax investment income and total return by investing in a diversified portfolio of securities, whilst ensuring that the assets and liabilities are managed on a cash flow and duration basis.

A key aspect in the management of the Group's financial risk is through matching the timing of cash flows from assets and liabilities. The Group actively manages its investments using an approach that balances quality, diversification, liquidity and return. The portfolio is reviewed on a periodic basis, as are investment guidelines and limits with the objective of ensuring that the Group can always meet its obligations without undue cost and in accordance with the Group's internal and regulatory capital requirements.

The Audit Committee is responsible for monitoring compliance with the Group's risk management policies and procedures. The Audit Committee is assisted by the Internal Audit Department which undertakes cyclical reviews of risk management controls and procedures, the results of which are reported to the heads of the Compliance Department, the Risk and Compliance Unit, the Audit Committee and the Board of Directors.

(b) Credit risk:

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to borrowers and investment securities.

There was no change in the nature of exposure to credit risk to which the Group is subjected or its approach to measuring and managing the risk during the year.

The Group manages credit risk associated with loans by evaluating the borrowers' ability to repay loans, ensuring that:

(i) where collateral is held against an outstanding loan, it is sufficiently insured;
(ii) loan loss provisioning is in keeping with Bank of Jamaica (BOJ) and CIMA Regulations;
(iii) loans are not concentrated in one individual, company or group; and
(iv) strong underwriting and credit administration systems are in place.

Counterparty credit risk

With the exception of Government of Jamaica securities, there is no significant concentration of credit risk related to liquid fund and debt securities. Further, locally issued Government of Jamaica notes are held with the Central Securities Depository (CSD), while global bonds issued by the Government of Jamaica and other investment assets are held with financial institutions which management regards as reputable and sound. These entities are regularly reviewed and risk rated by the Risk and Compliance Unit.

Credits to borrowers

Credit facilities to members and other borrowers primarily comprise of mortgage loans. The management of this type of credit risk is carried out through the use of a tiered approval framework within the Underwriting Unit, up to the Loan Committee of the Board. This framework allows for the evaluation of proposed credits, and the formal approval of those commitments. The Board of Directors has the responsibility for the oversight of the Group's credit risk and the development of credit policies.

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the customer's financial position and where the Group has made concessions that it would not otherwise consider. Once the loan is restructured, it remains in this category irrespective of satisfactory performance after restructuring. At March 31, 2018, the outstanding principal balances on loans that were restructured amounted to $2,241,570,000 (2017: $3,271,699,000) for the Group and $2,241,570,000 (2017: $2,188,009,000) for the Bank.

Impaired credits to borrowers

Impaired credits to customers and other borrowers are credits for which management determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the credit.

Past due but unimpaired credits to borrowers

These are credits where contractual interest or principal payments are past due but they are not considered impaired based on the quality and value of security available or the stage of collection of amounts owed by debtors.

Allowances for impairment

The Group has established an allowance for impairment losses that represents its estimate of incurred losses on loans. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established on a portfolio basis, based on requirements of the Bank of Jamaica.

Write-off policy

The Group writes off credits to borrowers (and any related allowances for impairment losses) when it determines that the balances are uncollectible. This determination is usually made after considering information such as changes in the borrower's financial position, or that proceeds from collateral will not be sufficient to pay back the entire exposure. Credits to borrowers for write-off must be submitted to the Credit Committee and or Board of Directors for approval.

Concentration by class and geographical area

The Group limits its exposure to credit risk by investing only with counterparties that have high credit ratings and in Government of Jamaica securities. Therefore, management does not expect any counterparty to fail to meet its obligations.

The Group has documented investment policies in place, which guide in managing credit risk on loans, investment securities, other assets and securities purchased under resale agreements and cash and cash equivalents. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties based on their credit ratings and limits set.

The Group's significant concentration of credit exposure, as at the reporting date, by geographic area (based on the entity's country of ownership) were as follows:

	Group		Bank	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Jamaica	135,969,093	134,896,858	135,969,093	134,896,858
United States of America	7,877,194	6,161,403	7,877,194	6,161,403
United Kingdom	11,433,833	4,662,610	11,433,833	4,662,610
Canada	1,194,471	715,610	1,194,471	715,610
Cayman Islands	322,377	5,614,622	322,377	341,098
Barbados	109,517	332,793	109,517	132,480
Bahamas	259,485	259,505	259,485	259,505
Trinidad & Tobago	382,400	649,322	382,400	649,322
Dominican Republic	1,510,684	517,882	1,510,684	517,882
	159,059,054	153,810,605	159,059,054	148,336,768

Credit quality of loans

The credit quality of the Group and Bank's loans are summarised as follows:

	Group	
	2018 $'000	2017 $'000
Neither past due nor impaired	62,784,358	62,900,028
Past due but not impaired:		
Below 30 days	8,839,245	6,340,289
30 to 60 days	4,120,894	3,149,317
60 to 90 days	1,602,388	1,388,657
Individually impaired:		
90-180 days	1,220,657	1,205,238
180-365 days	498,895	529,805
12-18 months	139,386	412,830
18 months and over	739,910	898,275
Less allowance for losses (note 13)	(975,698)	(1,138,878)
	78,970,035	75,685,561

Notes to the Financial Statements (Continued)
March 31, 2018

34. Financial risk management (continued)

(b) Credit risk (continued):

Credit quality of loans (continued)

	Bank 2018 $'000	Bank 2017 $'000
Neither past due nor impaired	62,784,358	59,108,666
Past due but not impaired:		
Below 30 days	8,839,245	6,038,540
30 to 60 days	4,120,894	3,027,819
60 to 90 days	1,602,388	1,284,636
Individually impaired:		
90-180 days	1,220,657	1,007,764
180-365 days	498,895	277,207
12-18 months	139,386	196,955
18 months and over	739,910	536,847
Less allowance for losses (note 13)	(975,698)	(817,248)
	78,970,035	70,661,186

Exposure to credit risk

Credit risk exposure is the amount of loss that the Group and the Bank would suffer if all counterparties to which the Group and the Bank are exposed were to default at once. This is represented substantially by the carrying amount of financial assets shown on the statement of financial position, without taking account of the value of any collateral held.

There are no off-balance-sheet assets and the maximum exposure to credit risk is represented by the amount of financial assets in the statement of financial position.

Collateral and other credit enhancements held against financial assets

The Group holds collateral against credits to borrowers primarily in the form of mortgage interests over properties. Estimates of fair values are based on the value of the collateral assessed at the time of borrowing and are generally not updated except when credits to borrowers are individually assessed as impaired. Other forms of collateral used by the Group include an insurance policy, properties, motor vehicles, personal or corporate guarantees to secure loans.

The Group's collateral generally is not held over balances with banks or brokers/dealers, except when securities are held under resale agreements.

The fair value of collateral held against loans to borrowers and others is shown below:

	Group				Bank			
	Loans and advances		Securities purchased under resale agreements		Loans and advances		Securities purchased under resale agreements	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Against neither past due nor impaired financial assets:								
Properties	169,434,120	168,419,917	-	-	169,434,120	161,819,308	-	-
Debt securities	-	-	1,137,264	6,881,465	-	-	1,137,264	6,881,465
Liens on motor vehicles	2,126,362	653,144	-	-	2,126,362	609,965	-	-
Hypothecation of deposits	-	1,515,613	-	-	-	1,504,280	-	-
Subtotal	171,560,482	170,588,674	1,137,264	6,881,465	171,560,482	163,933,553	1,137,264	6,881,465
Against past due but not impaired financial assets:								
Properties	43,313,609	37,969,035	-	-	43,313,609	37,055,594	-	-
Subtotal	43,313,609	37,969,035	-	-	43,313,609	37,055,594	-	-
Against past due and impaired financial assets:								
Properties	8,744,158	9,529,688	-	-	8,744,158	8,240,373	-	-
Liens on motor vehicles	-	3,897	-	-	-	-	-	-
Subtotal	8,744,158	9,533,585	-	-	8,744,158	8,240,373	-	-
Grand total	223,618,249	218,091,294	1,137,264	6,881,465	223,618,249	209,229,520	1,137,264	6,881,465

(c) Liquidity risk:

Liquidity risk is the potential for loss to the Group arising from either its inability to meet its obligations or to fund increases in assets as they fall due without incurring unacceptable costs or losses. Liquidity risk is broken down into two primary categories:

(i) *Funding liquidity risk* - the risk that the Group will not be able to meet the expected and unexpected current and future cash flows and collateral needs without affecting either its daily operations or its financial condition; and

(ii) *Asset/market liquidity risk* - is the Group's inability to liquidate assets in an orderly fashion without incurring loss on liquidation. This usually stems from illiquid markets or market disruptions.

Management of liquidity risk

The key measurement used for assessing liquidity risk is the ratio of liquid assets (as defined) to total liabilities. The liquidity ratios at the reporting date for the Group are as follows:

	Bank			
	Requirement		Actual	
	2018 %	2017 %	2018 %	2017 %
Jamaica Dollar	26	26	29	29
United States of America Dollar	29	28	49	55
Canadian Dollar	29	28	84	90
Pound Sterling	29	28	42	39

There was no change in the nature of exposure to liquidity risk which the Bank is subjected to or its approach to measuring and managing the risk during the year.

An analysis of the undiscounted cash flows of the Group's financial liabilities and unrecognised loan commitments on the basis of their earliest possible contractual maturity is presented below. The analysis provided is by estimating timing of the amounts recognised in the statement of financial position. The Group does not expect that all its customers will demand the payment of funds at the earliest date possible.

Group and Bank
2018

	Carrying amount $'000	Total cash outflow $'000	Less than 3 months $'000	3-12 months $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
		Contractual undiscounted cash flows					
Due to specialised financial institutions	17,398,102	31,981,935	421	4,000	34,420	55,802	31,887,292
Customer deposits	115,873,375	116,242,684	102,664,647	11,999,675	1,334,235	244,126	-
Securities sold under repurchase agreements	8,735,145	8,917,071	7,459,103	1,097,919	318,000	42,049	-
Margin loan payable	2,506,396	2,506,396	2,506,396				
Other payables	1,546,444	1,546,444	1,546,444	-	-	-	-
	146,059,462	161,194,530	114,177,011	13,101,594	1,686,655	341,977	31,887,292
Unrecognised loan commitments	-	6,516,113	6,516,113	-	-	-	-
	146,059,462	167,710,643	120,693,124	13,101,594	1,686,655	341,977	31,887,292

Group
2017

	Carrying amount $'000	Total cash outflow $'000	Less than 3 months $'000	3-12 months $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
		Contractual undiscounted cash flows					
Bank overdraft	12,646	12,646	12,646	-	-	-	-
Due to specialised financial institutions	15,947,521	29,672,712	711	6,613	56,333	84,499	29,524,556
Customer deposits	116,212,458	117,307,644	105,170,306	11,668,870	296,431	172,037	
Securities sold under repurchase agreements	7,186,955	7,402,808	4,857,671	2,545,137	-	-	-
Other payables	1,280,255	1,280,255	1,280,255	-	-	-	-
	140,639,835	155,676,065	111,321,589	14,220,620	352,764	256,536	29,524,556
Unrecognised loan commitments	-	6,096,769	6,096,769	-	-	-	-
	140,639,835	161,772,834	117,418,358	14,220,620	352,764	256,536	29,524,556

Bank
2017

	Carrying amount $'000	Total cash outflow $'000	Less than 3 months $'000	3-12 months $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
		Contractual undiscounted cash flows					
Bank overdraft	12,646	12,646	12,646	-	-	-	-
Due to specialised financial institutions	15,947,521	29,672,712	711	6,613	56,333	84,499	29,524,556
Customer deposits	109,312,357	109,520,412	99,954,968	9,101,986	291,421	172,037	-
Due to related entities	2,141,298	2,141,298	2,141,298	-	-	-	-
Securities sold under repurchase agreements	7,186,955	7,402,808	4,857,671	2,545,137	-	-	-
Other payables	1,186,327	1,186,327	1,186,327	-	-	-	-
	135,787,104	149,936,203	108,153,621	11,653,736	347,754	256,536	29,524,556
Unrecognised loan commitments	-	6,096,769	6,096,769	-	-	-	-
	135,787,104	156,032,972	114,250,390	11,653,736	347,754	256,536	29,524,556

34. Financial risk management (continued)

(d) Market risk:

Market risk is the risk that changes in market prices, such as interest rate, foreign exchange rates and equity prices will affect the value of the Group's assets, the amount of its liabilities and/or the Group's income. Market risk arises in the Group due to fluctuations in the value of liabilities and the value of investments held. The Group is exposed to market risk on all of its financial assets.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Management of market risk

The Asset and Liability Committee manages market risks in accordance with its Investment Policy. The Committee through the Board Finance Committee reports regularly to the Board of Directors on its activities. For each of the major components of market risk, the Group has policies and procedures in place which detail how each risk should be monitored and managed. The management of each of these major components of risk and the exposure of the Group at the reporting date to each major risk are addressed below.

There was no change in the nature of exposure to market risk which the Group is subjected to, or its approach to measuring and managing the risk during the year.

(i) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group manages this risk by regularly re-evaluating the yield, duration and modified duration on given financial instruments.

The interest rate risk analysis shows significant excess of short-term interest-bearing liabilities over short-term interest-earning assets. This is a direct consequence of the nature of the Group's business, which involves granting long-term loans (up to 30 years) funded by savings which are withdrawable on demand or after short notice. The Group may, provided that one month's notice is given, change the interest rates on its mortgages. In addition, mortgages may be called after six months' notice. The savings fund has been stable and is expected to remain so.

The Group manages the risk by monitoring its customer deposits, taking steps to ensure its stability, and by adjusting interest rates to the extent practicable within the overall policy of encouraging long-term savings and facilitating home ownership.

The following table summarises the carrying amounts of recognised assets and liabilities to arrive at the Group's interest rate gap based on the earlier of contractual repricing or maturity dates. There were no off-balance sheet financial instruments giving rise to interest rate risk.

Group and Bank
2018

	Immediately rate sensitive $'000	Within 3 months $'000	Three to 12 months $'000	Over 1 year $'000	Non-rate sensitive $'000	Total $'000	Weighted average interest rate %
Assets							
Cash and cash equivalents	643,527	-	-	-	25,959,354	26,602,881	0.81
Securities purchased under resale agreements	-	921,919	-	-	218	922,137	5.09
Investments	-	29,930,379	21,308,203	-	778,482	52,017,064	4.94
Other assets	-	-	-	-	395,212	395,212	-
Loans	-	1,258,823	467,331	76,822,723	421,158	78,970,035	8.06
Total financial assets	643,527	32,111,121	21,775,534	76,822,723	27,554,424	158,907,329	
Liabilities							
Due to specialised financial institutions	-	17,398,102	-	-	-	17,398,102	4.21
Customer deposits	80,957,261	21,557,550	11,800,723	1,320,894	236,947	115,873,375	1.01
Securities sold under repurchase agreements	-	7,348,870	1,050,640	300,000	35,635	8,735,145	6.00
Other payables	-	-	-	-	1,546,444	1,546,444	0.00
Margin loan payable	-	2,506,396	-	-	-	2,506,396	2.30
Total financial liabilities	80,957,261	48,810,918	12,851,363	1,620,894	1,819,026	146,059,462	
On statement of financial position gap, being total interest rate sensitivity gap	(80,313,734)	(16,699,797)	8,924,171	75,201,829	25,735,398	12,847,867	
Cumulative gap	(80,313,734)	(97,013,531)	(88,089,360)	(12,887,531)	12,847,867	-	

Group
2017

	Immediately rate sensitive $'000	Within 3 months $'000	3 to 12 months $'000	Over 1 year $'000	Non-rate sensitive $'000	Total $'000	Weighted average interest rate %
Assets							
Cash and cash equivalents	6,146,568	478,306	-	-	17,856,587	24,481,461	1.25
Securities purchased under resale agreements	-	3,895,182	2,436,119	-	8,841	6,340,142	4.42
Investments	-	5,000,704	3,646,522	36,939,377	935,844	46,522,447	5.44
Other assets	-	-	-	-	806,134	806,134	-
Due from related entities	-	-	-	-	1,140,828	1,140,828	-
Loans	-	478,972	1,448,107	73,385,777	372,705	75,685,561	8.94
Total financial assets	6,146,568	9,853,164	7,530,748	110,325,154	21,120,939	154,976,573	
Liabilities							
Bank overdraft	12,646	-	-	-	-	12,646	11.13
Due to specialised financial institutions	-	15,947,521	-	-	-	15,947,521	4.34
Customer deposits	72,839,492	33,766,311	9,034,231	288,535	283,889	116,212,458	1.25
Securities sold under repurchase agreements	-	4,745,787	2,395,216	-	45,952	7,186,955	4.96
Other payables	-	-	-	-	1,280,255	1,280,255	-
Total financial liabilities	72,852,138	54,459,619	11,429,447	288,535	1,610,096	140,639,835	
On statement of financial position gap, being total interest rate sensitivity gap	(66,705,570)	(44,606,455)	(3,898,699)	110,036,619	19,510,843	14,336,738	
Cumulative gap	(66,705,570)	(111,312,025)	(115,210,724)	(5,174,105)	14,336,738	-	

Bank
2017

	Immediately rate sensitive $'000	Within 3 months $'000	Three to 12 months $'000	Over 1 year $'000	Non-rate sensitive $'000	Total $'000	Weighted average interest rate %
Assets							
Cash and cash equivalents	6,440,466	-	-	-	17,856,587	24,297,053	0.32
Securities purchased under resale agreements	-	3,895,182	2,436,119	-	8,841	6,340,142	4.42
Investments		4,805,349	3,646,522	36,939,378	919,144	46,310,393	5.44
Other assets	-	-	-	-	753,134	753,134	-
Due from related entities	-	-	-	-	1,103,919	1,103,919	-
Loans	-	478,972	1,442,584	68,366,925	372,705	70,661,186	9.20
Total financial assets	6,440,466	9,179,503	7,525,225	105,306,303	21,014,330	149,465,827	
Liabilities							
Bank overdraft	12,646	-	-	-	-	12,646	11.13
Due to specialised financial institutions	-	15,947,521	-	-	-	15,947,521	4.34
Customer deposits	73,726,625	25,979,078	9,034,230	288,535	283,889	109,312,357	1.19
Due to related entities	-	-	-	-	2,141,298	2,141,298	-
Securities sold under repurchase agreements	-	4,745,787	2,395,216	-	45,952	7,186,955	4.96
Other payables	-	-	-	-	1,186,327	1,186,327	-
Total financial liabilities	73,739,271	46,672,386	11,429,446	288,535	3,657,466	135,787,104	
On statement of financial position gap, being total interest rate sensitivity gap	(67,298,805)	(37,492,883)	(3,904,221)	105,017,768	17,356,864	13,678,723	
Cumulative gap	(67,298,805)	(104,791,688)	(108,695,909)	(3,678,141)	13,678,723	-	

34. **Financial risk management (continued)**

(d) Market risk (continued):

Management of market risk (continued)

(i) Interest rate risk (continued):

Sensitivity to interest rate movements:

The sensitivity of the Group's financial assets and liabilities to interest rate risk is monitored using the following scenarios:

	Increase in interest rate	Decrease in interest rate
J$ denominated instruments	100 basis points	100 basis points
US$ denominated instruments	50 basis points	50 basis points

An increase/decrease, using the above scenarios, would adjust reserves and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Group and Bank			
	2018		2017	
	Increase $'000	Decrease $'000	Increase $'000	Decrease $'000
Other comprehensive income	(232,321)	1,044,936	(260,444)	501,149
Profit	-	-	(4,407)	16,507

Cash flow sensitivity analysis for variable rate instruments:

An increase/decrease using the above scenarios would adjust reserves and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is done on the same basis as for 2017.

	Group and Bank	
	Effect on profit	
	Increase $'000	Decrease $'000
March 31, 2018		
Variable rate instruments	80,641	(80,641)
March 31, 2017		
Variable rate instruments	84,361	(84,361)

(ii) Equity price risk

Equity price risk arises from available-for-sale equity securities held by the Group as part of its investment portfolio. Management monitors the mix of debt and equity securities in its investment portfolio based on market expectations. The primary goal of the Group's investment strategy is to maximise risk-adjusted investment returns.

A 15% (2017: 10%) increase or decrease in the market price at the reporting date would result in an increase or an equal decrease, respectively, in reserves for the Group and the Bank of $23,021,000 (2017: $19,858,000).

(iii) Foreign currency risk:

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group incurs foreign currency risk on transactions that are denominated in a currency other than the Jamaica dollar. The main currencies giving rise to this risk are United States dollars, Canadian dollars, Cayman dollars, Euro and Pound sterling.

The Group ensures that the net exposure is kept to an acceptable level by daily monitoring their cost of funds against market price so as to ensure that a consistent positive spread is maintained between the buying and selling price of the traded currencies. Foreign currency liabilities are generally backed by foreign currency assets.

Net foreign currency assets/(liabilities) were as follows:

	Group		Bank	
	2018 000	2017 000	2018 000	2017 000
United States dollars	15,687	32,490	15,687	33,577
Canadian dollars	(965)	(727)	(965)	(727)
Pound sterling	1,822	(35,879)	1,822	(36,044)
Euro	213	119	213	119
Cayman dollars	2,224	3,072	2,224	3,072

The Bank of Jamaica's weighted average exchange rates ruling at the year-end are shown at note 41(o)(i).

Sensitivity analysis:

A 4% (2017: 6%) weakening of the Jamaica dollar against the various currencies at March 31 would have increased operating surplus by the amounts shown. A 2% (2017: 1%) strengthening of the Jamaica dollar against these currencies at March 31 would have had the opposite effect as shown. The analysis assumes that all other variables, in particular, interest rates, remain constant. The analysis was done on the same basis for 2017.

	Group				Bank			
	2018 $'000		2017 $'000		2018 $'000		2017 $'000	
	4%	2%	6%	1%	4%	2%	6%	1%
United States dollar	78,638	(39,319)	249,948	(41,658)	78,638	(39,319)	258,308	(43,051)
Canadian dollars	(3,730)	1,865	(4,209)	702	(3,730)	1,865	(4,209)	702
Pounds sterling	12,883	(6,442)	(341,669)	56,945	12,883	(6,442)	(343,241)	57,207
Euro	1,318	(659)	963	(160)	1,318	(659)	963	(160)
Cayman dollars	13,629	(6,815)	28,806	(4,801)	13,629	(6,815)	28,806	(4,801)

(e) Operational risk:

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements, natural and man-made disasters as well as generally accepted standards of corporate behaviour.

The Group's objective is to manage operational risk to achieve the optimal balance between the Group's financial viability and its performance against the requirements of an effective operational risk management framework.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Risk and Compliance Unit centrally and in daily operations through the senior management team.

There was no change to the Group's approach to operational risk management during the year.

This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

- risk policies/guidelines for assisting management to understand the ways in which risks can be measured, managed, identified and controlled;
- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial actions;
- development of business continuity programmes including contingency plans, testing and training;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

The Group Risk and Compliance Unit conducts frequent operational risk reviews of business lines in keeping with established policies and is supported with independent reviews undertaken by Group Internal Audit. The results of all operational risk reviews are discussed with the management of the business unit to which they relate and the recommendations and required actions agreed. Summaries of the operational risk reviews are submitted to the Audit Committee and to the Board of Directors.

34. **Financial risk management (continued)**

(f) Capital management:

Regulatory capital

The Group's main regulator is the Bank of Jamaica, which monitors the capital requirements. The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the Group. This is supported by the annual Group Internal Capital Adequacy Assessment Process which seeks to ensure that the Bank and its subsidiary, are adequately capitalised.

In implementing current capital requirements, the Bank of Jamaica requires the Bank to maintain a prescribed ratio of total capital to total risk weighted assets of 10%. The total regulatory capital expressed as a percentage of the total risk weighted assets at March 31, 2018 was 18% (2017: 16%).

Foreign subsidiary

The Bank's former subsidiary is subject to regulatory capital requirements established by the Cayman Islands Monetary Authority (CIMA). Failure to meet minimum regulatory capital requirements can initiate certain actions by CIMA that, if undertaken, could have a direct material effect on the subsidiary's financial statements. Under capital adequacy guidelines used by CIMA, the subsidiary must meet specific capital guidelines that involve quantitative measures of its assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The subsidiary's regulatory capital amounts and classification are also subject to qualitative judgements by CIMA about components and risk weightings.

As at March 31, 2017, the subsidiary's regulatory capital amount and its risk asset ratio, as well as CIMA's minimum requirements are presented in the following table:

	Actual 2017	2017 minimum for regulatory capital and capital adequacy purposes
Regulatory capital(CI$)	8,697,000	6,642,000
Risk asset ratio	19.64%	15%
Liquidity ratio	14%	10%

35. **Fair value of financial instruments**

The fair value of financial assets that are traded in an active market are based on quoted market prices. For all other financial assets, the group determines fair values using other valuation techniques as detailed in note [41(d)(vii)].

The fair values of cash and cash equivalents, securities purchased under resale agreements, other assets, due to/from related parties, securities sold under repurchase agreements and other payables are considered to approximate their carrying values due to their relatively short-term nature.

The estimated fair value of loans is the principal receivable less any allowance for losses.

(a) Accounting classifications and fair values

	Group and Bank 2018							
	Carrying amount				Fair value			
	Loans and receivables $'000	Available-for-sale $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets measured at fair value:								
Corporate bonds	-	12,030,150	-	12,030,150	-	12,030,150	-	12,030,150
Government of Jamaica securities	-	22,925,637	-	22,925,637	-	22,925,637	-	22,925,637
Treasury bills	-	2,004,019	-	2,004,019	-	2,004,019	-	2,004,019
Quoted equities	-	153,474	-	153,474	153,474	-	-	153,474
Unquoted equities	-	29,353	-	29,353	-	29,353	-	29,353
	-	37,142,633	-	37,142,633	153,474	36,989,159	-	37,142,633
Financial assets not measured at fair value:								
Cash and cash equivalents	26,602,881	-	-	26,602,881				
Corporate bonds	757,247	-	-	757,247				
Certificates of deposit	13,491,529	-	-	13,491,529				
Securities purchased under resale agreements	922,137	-	-	922,137				
Loans	78,970,035	-	-	78,970,035				
Promissory note	30,000	-	-	30,000				
Other assets	395,212	-	-	395,212				
Due from related entities	1,587,054	-	-	1,587,054				
	122,756,095	-	-	122,756,095				
Financial liabilities not measured at fair value:								
Due to specialised financial institutions	-	-	17,398,102	17,398,102				
Customer deposits	-	-	115,873,375	115,873,375				
Due to related entities	-	-	2,506,396	2,506,396				
Securities sold under repurchase agreements	-	-	8,735,145	8,735,145				
Other payables	-	-	1,546,444	1,546,444				
	-	-	146,059,462	146,059,462				

	Group 2017								
	Carrying amount					Fair value			
	Loans and receivables $'000	Available-for-sale $'000	At fair value through profit or loss $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets measured at fair value:									
Corporate bonds	-	5,389,835	-	-	5,389,835	-	5,389,835	-	5,389,835
Government of Jamaica securities	-	25,882,520	106,532	-	25,989,052	-	25,989,052	-	25,989,052
Quoted equities	-	198,580	-	-	198,580	198,580	-	-	198,580
Unquoted equities	-	80	-	-	80	-	80	-	80
Foreign exchange forward contracts	-	-	30,452	-	30,452	-	30,452	-	30,452
	-	31,471,015	136,984	-	31,607,999	198,580	31,409,419	-	31,607,999
Financial assets not measured at fair value:									
Cash and cash equivalents	24,481,461	-	-	-	24,481,461				
Corporate bonds	773,649	-	-	-	773,649				
Cerificates of deposit	13,403,615	-	-	-	13,403,615				
Securities purchased under resale agreements	6,340,142	-	-	-	6,340,142				
Loans	75,685,561	-	-	-	75,685,561				
Other assets	806,134	-	-	-	806,134				
Due from related entities	1,140,028	-	-	-	1,140,028				
	122,630,590	-	-	-	122,630,590				
Financial liabilities not measured at fair value:									
Bank overdraft	-	-	-	12,646	12,646				
Due to specialised financial institutions	-	-	-	15,947,521	15,947,521				
Customer deposits	-	-	-	116,212,458	116,212,458				
Securities sold under repurchase agreements	-	-	-	7,186,955	7,186,955				
Other payables	-	-	-	1,280,255	1,280,255				
	-	-	-	140,639,835	140,639,835				

	Bank 2017								
	Carrying amount					Fair value			
	Loans and receivables $'000	Available-for-sale $'000	At fair value through profit or loss $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets measured at fair value:									
Corporate bonds	-	5,194,481	-	-	5,194,481	-	5,194,481	-	5,194,481
Government of Jamaica securities	-	25,882,520	106,532	-	25,989,052	-	25,989,052	-	25,989,052
Quoted equities	-	198,580	-	-	198,580	198,580	-	-	198,580
Unquoted equities	-	80	-	-	80	-	80	-	80
Foreign exchange forward contracts	-	-	30,452	-	30,452	-	30,452	-	30,452
	-	31,275,661	136,984	-	31,412,645	198,580	31,214,065	-	31,412,645
Financial assets not measured at fair value:									
Cash and cash equivalents	24,297,053	-	-	-	24,297,053				
Corporate bonds	773,649	-	-	-	773,649				
Certificates of deposit	13,403,615	-	-	-	13,403,615				
Securities purchased under resale agreements	6,340,142	-	-	-	6,340,142				
Loans	70,661,186	-	-	-	70,661,186				
Other assets	753,134	-	-	-	753,134				
Due from related entities	1,103,919	-	-	-	1,103,919				
	117,332,698	-	-	-	117,332,698				
Financial liabilities not measured at fair value:									
Bank overdraft	-	-	-	12,646	12,646				
Due to specialised financial institutions	-	-	-	15,947,521	15,947,521				
Customer deposits	-	-	-	109,312,357	109,312,357				
Due to related entities	-	-	-	2,141,298	2,141,298				
Securities sold under repurchase agreements	-	-	-	7,186,955	7,186,955				
Other payables	-	-	-	1,186,327	1,186,327				
	-	-	-	135,787,104	135,787,104				

(b) Valuation techniques for investment securities classified as Level 2:

The following table shows the valuation techniques used in measuring the fair value of investment securities.

Type	Valuation techniques
US$ denominated Government of Jamaica (GOJ) securities and corporate bonds	• Obtain bid price provided by a recognized broker/dealer • Apply price to estimate fair value.
J$ denominated securities issued or guaranteed by GOJ	• Obtain bid price provided by a recognised pricing source (which uses Jamaica-market-supplied indicative bids) • Apply price to estimate fair value.
Foreign exchange forward contracts	• Obtain forward foreign exchange rates from Blooomberg • Apply rates to estimate fair value.

Notes to the Financial Statements (Continued)
March 31, 2018

36. Commitments

At March 31, 2018, the Bank had:

(a) Unexpired lease commitments payable as follows:

	Group and Bank	
	2018	2017
	$'000	$'000
Within one year	60,865	93,291
Subsequent years	86,800	58,725
	147,665	152,016

Included in the unexpired lease commitments are amounts due to related entities totalling $46,202,000 (2017: $79,429,000) for the Group and Bank.

(b) Undisbursed approved loans amounting to approximately $6,516,113,000 (2017: $6,096,769,000) for the Group and Bank.

(c) Capital commitments:

Commitments for capital expenditure amounted to $21,147,000 (2017: $296,839,000) for the Group and Bank as at the reporting date.

(d) Sponsorship commitments:

Commitments for sponsorship expenditures amounted to $40,000,000 (2017: $Nil).

37. Contingent liabilities

There are several claims which have been brought against the Group in respect of damages for alleged breach of contract and other matters. It is the opinion of the Group's Legal Counsel that, in the unlikely event that these claims should be successful, liability should not be significant.

38. Scheme of arrangement

(i) In prior year, under the court approved Scheme of Arrangement, certain transactions were effected to reorganise the JN Group. As a result, the corresponding amounts in the consolidated and separate financial statements were restated and the 2017 reporting period adjusted as if the reorganisation had occured before the start of the earliest period presented.

(ii) The operations of JN Finance Limited were transferred to the Bank during the prior year. The Net Assets acquired amounted to $7,526,000.

39. Distribution to equity shareholders

	Group		Bank	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Dividends	832,000	-	832,000	-

At the Board of Directors' meetings held on September 11, 2017, January 10, 2018 and December 31, 2018, the directors declared total interim dividends of $832,000,000.

40. Changes in accounting policies

Except for the changes below, the Group has consistently applied the accounting policies set out in note 41 for all periods presented in these financial statements.

The details, nature and effects of the changes are as follows:

New, revised and amended standards and interpretations that became effective during the year:

Certain new, revised and amended standards and interpretations came into effect during the current financial year. The Group has assessed them and has adopted those which are relevant to its financial statements:

- Amendments to IAS 7, *Statement of Cash Flows*, effective for accounting periods beginning on or after January 1, 2017, requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows.

- *Improvements to* IFRSs *2014-2016* contain amendments to certain standards applicable to the Group as follows:

  - IFRS 12, *Disclosure of Interests in Other Entities,* effective retrospectively for annual reporting periods beginning on or after January 1, 2017, has been amended to clarify that the disclosure requirements for interests in other entities also apply to interests that are classified as held for sale or distribution.

- IAS 28, *Investments in Associates and Joint Ventures*, effective retrospectively for annual reporting periods beginning on or after January 1, 2017, has been amended to clarify or state the following:

  (i) A venture capital organisation, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis.

  (ii) A non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture.

- Amendments to IAS 12, *Income Taxes*, effective for accounting periods beginning on or after January 1, 2017, clarifies the following:

  - The existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.
  - A deferred tax asset can be recognised if the future bottom line of the tax return is expected to be a loss, if certain conditions are met.
  - Future taxable profits used to establish whether a deferred tax can be recognised should be the amount calculated before the effect of reversing temporary differences.
  - An entity can assume that it will recover an asset for more than its carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.
  - Deductible temporary differences related to unrealised losses should be assessed on a combined basis for recognition unless a tax law restricts the use of losses to deductions against income of a specific type.

The adoption of these amendments did not result in any change to the presentation and disclosures in the financial statements.

41. Significant accounting policies

Except for the changes explained in note 40, the Group has consistently applied the following accounting policies to all periods presented in these financial statements.

(a) Basis of consolidation:

[i] Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain or bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issued debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts, generally, are recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in fair value of the contingent consideration are recognised in profit or loss.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquired entity; plus
- if the business combination is achieved in stages, the fair value of the pre-existing interest in the acquired entity; less
- the net recognised amount (generally, fair value) of the identifiable assets acquired and liabilities assumed.

41. Significant accounting policies (continued)

(a) Basis of consolidation (continued):

[ii] Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The subsidiary is listed in note 1. The consolidated or Group financial statements comprise the financial results of the Bank and its subsidiary prepared up to March 31, 2018 and adjusted for inter-company transactions.

The financial statements of its subsidiary are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

[iii] Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests, even if doing so causes the non-controlling interest to have a deficit balance.

[iv] Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

[v] Interest in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Interest in associates are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to $Nil and recognition of further losses is discontinued, except to the extent that the Group has incurred legal or constructive obligations, or made payments on behalf of an associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of profits equals the share of losses not recognised.

Book value accounting is used to recognise transfer of investments in associates between investors under common control. The result of the transaction is recognised in equity as arising from a transaction with shareholders. Any difference between the amount paid and the carrying amount of the investee, that is, excess consideration is recognised as an additional investment and any deficit is recorded as dividends received.

[vi] Transactions eliminated on consolidation

Intra-group balances and transactions, any unrealised gain and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gain arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gain, but only to the extent that there is no evidence of impairment.

(b) Property, plant and equipment:

Items of property, plant and equipment are measured at cost, less accumulated depreciation and impairment losses [see note 41(r)]. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item, if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be reliably measured. The cost of day-to-day servicing of property, plant and equipment is recognised in profit or loss as incurred.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Property, plant and equipment, with the exception of freehold land and art work, on which no depreciation is provided, are depreciated on the straight-line basis at annual rates to write down the assets to their estimated residual values over their estimated useful lives and is generally recognised in profit or loss. Leasehold properties are amortised in equal instalments over the shorter of the lease term and the properties' estimated useful lives.

The depreciation/amortisation rates are as follows:

Freehold buildings	2½%
Leasehold buildings	Shorter of lease term and useful life
Leasehold improvements	Shorter of lease term and useful life
Computers – hardware and software	33⅓%
Furniture, fixtures and office equipment	10%
Motor vehicles	20%

The depreciation/amortisation methods, useful lives and residual values are reassessed at each reporting date.

(c) Real estate and development in progress:

The cost of land acquisition and development, construction and overheads, including interest costs, are deferred, except for costs in excess of amounts recoverable from subsequent sales which are expensed as incurred. Income from development projects is recognised upon substantial completion of each project. Development in progress is shown net of deposits received from purchasers.

(d) Financial instruments:

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of the financial statements, financial assets have been determined to include cash and cash equivalents, securities purchased under resale agreements, investments, due from related entities, loans and certain other assets.

Financial liabilities include other payables, bank overdraft, securities sold under repurchase agreements, due to specialised financial institutions, margin loan payable and customer deposits.

[i] Classification:

Management determines the classification of investments at the time of acquisition and takes account of the purpose for which the investments were acquired. Investments are classified as loans and receivables, at fair value through profit or loss, held-to-maturity and available-for-sale securities.

Loans and receivables are those created or acquired by the Group, with fixed or determinable payments and are not quoted in an active market. Loans and receivables comprise cash and cash equivalents, debenture, bonds, certificates of deposit, loans and other assets.

Financial investments at fair value through profit or loss are those held for trading or those designated by management and comprise equity and certain debt securities. Such investments are those which the Group manages and makes purchase and sale decisions based on their fair value in accordance with its investment strategy.

Held-to-maturity securities are those with fixed or determinable payment and fixed maturity that the Group has the positive intent and ability to hold to maturity. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years.

Notes to the Financial Statements (Continued)
March 31, 2018

41. Significant accounting policies (continued)

(d) Financial instruments (continued):

[i] Classification (continued):

Non-derivative financial liabilities are classified as other financial liability.

Derivatives are financial instruments that derive their value from the price of the underlying items such as equities, bond interest rate, foreign exchange or other indices. Derivatives enable users to increase, reduce or alter exposure to credit or market risk. The Group makes use of derivatives to hedge foreign currency and interest rate exposures.

The Group evaluates financial instruments which it acquires or issues to determine whether derivatives are embedded in any of the contracts (making it a "host contract").

The Group accounts for an embedded derivative separately from the host contract when certain conditions are met. Separated embedded derivatives are accounted for depending on their classification, and are presented in the statement of financial position together with the host contract. When an embedded derivative cannot be separated from the host contract, the entire contract is designated as at fair value through profit or loss.

Available-for-sale securities are financial assets that are so designated by the Group.

Available-for-sale investments comprise certain debt and equity instruments.

[ii] Recognition:

The Group initially recognises loans and advances, securities purchased/sold under resale/repurchase agreements and debt securities on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value, plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

[iii] Derecognition:

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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

[iv] Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liabilities simultaneously.

[v] Measurement:

Financial assets classified as available-for-sale are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, they are measured at fair value. Unrealised gain and losses arising from changes in fair value, except for impairment losses, and foreign currency differences on debt instruments, are recognised in other comprehensive income and presented in investment revaluation reserve in equity [see note 27(b)]. Where fair value cannot be reliably determined, they are stated at cost. Where these securities are disposed of or impaired, the related accumulated unrealised gain or losses are reclassified to profit or loss.

Financial assets classified at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

All non-derivative financial assets classified as loans and receivables and held-to-maturity are initially recognised at fair value plus directly attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost, using the effective interest rate method. Premiums and discounts are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

Derivatives are initially recognised at fair value. Attributable costs are expensed in profit or loss as incurred. Subsequent to initial recognition they are measured at fair value. Where the derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in fair value are recognised immediately in profit or loss.

The fair value of investments classified as available-for-sale and at fair value through profit or loss is based on their quoted market bid price at the reporting date. Where a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the reporting date.

[vi] Identification and measurement of impairment:

The carrying amounts of the Group's financial assets are reviewed at each reporting date to determine whether there is objective evidence that financial instruments not carried at fair value through profit or loss are impaired.

Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and the loss event has an impact on the future cash flows of the asset that can be estimated reliably. If any such indication exists, the asset's recoverable amount is estimated at each reporting date. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

Objective evidence that financial assets (including equity securities) are impaired include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, the disappearance of an active market for a security, adverse changes in the payment status of the borrowers or issuers, indications that a debtor or issuer will enter into bankruptcy or observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets. For an investment in an equity instrument, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost.

The Group considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar risks.

In assessing collective impairment, the Group uses historical information of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and advances and other assets. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by reclassifying the cumulative loss that has been recognised in the investment revaluation reserve to profit or loss. The cumulative loss that is reclassified is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss.

41. Significant accounting policies (continued)

(d) Financial instruments (continued):

[vi] Identification and measurement of impairment (continued):

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

An impairment loss in respect of an equity accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

[vii] Fair value measurement:

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(e) Securities purchased/sold under resale/repurchase agreements:

Securities purchased under resale agreements ("Reverse repo") and securities sold under repurchase agreements ("Repo") are short-term transactions whereby securities are bought/sold with simultaneous agreements to resell/repurchase the securities on a specified date and at a specified price. Reverse repos and repos are accounted for as short-term collateralised lending and borrowing, respectively, and are measured at amortised cost, less impairment.

The difference between the purchase/sale and resale/repurchase considerations is recognised on the accrual basis over the period of the agreements, using the effective yield method, and is included in interest income and expense, respectively.

(f) Cash and cash equivalents:

Cash and cash equivalents are measured at cost. They comprise cash balances and cash reserve at the Bank of Jamaica, cash in hand and short-term, highly liquid investments where original maturities do not exceed three months from the reporting date, are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term commitments. Bank overdrafts that form an integral part of the Bank's cash management for financing operations are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(g) Investment properties:

Investment properties are measured at their cost, less accumulated depreciation and impairment losses. Rental income from investment properties is recognised on the straight-line basis over the term of the lease, and accounted for on the accrual basis.

(h) Intangible assets:

[i] Other intangible assets:

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost, less accumulated amortisation [see (iii) below] and any accumulated impairment losses.

[ii] Subsequent expenditure:

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

[iii] Amortisation:

Amortisation is charged to profit or loss on the straight-line basis over the estimated useful lives of intangible assets, unless such lives are infinite. Intangible assets are amortised from the date they are available for use. The estimated useful life is as follows:

Software	3 years

(i) Assets held for sale:

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale, rather than continuing use, are classified as held-for-sale. Assets held for sale are measured at the lower of their carrying amount and fair values less cost to sell.

Impairment losses on initial reclassification as held-for-sale and subsequent gain and losses on re-measurement are recognised in profit or loss. Once classified as held for sale, property, plant and equipment are no longer depreciated.

(j) Other assets:

Other assets are measured at amortised cost, less impairment losses.

(k) Employee benefits:

Employee benefits are all forms of consideration given by the Group in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, statutory contributions, annual leave, and non-monetary benefits such as medical care and housing; post-employment benefits such as pension; and other long-term employee benefits such as termination benefits.

41. Significant accounting policies (continued)

(k) Employee benefits (continued):

The Group provides post-retirement pension and health insurance benefits to employees who have satisfied certain minimum service requirements.

Employee benefits that are earned as a result of past or current service are recognised in the following manner:

[i] Short-term employee benefits:

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be estimated reliably.

[ii] Defined contribution plans:

Obligation for contributions to defined contribution plans is expensed as the related services are provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

[iii] Defined-benefit plans:

Employee benefits, comprising post-employment obligations included in the financial statements, have been actuarially determined by a qualified independent actuary, appointed by management using the projected unit credit method. The actuary's report outlines the scope of the valuation and the actuary's opinion. The actuarial valuation is conducted in accordance with IAS 19, and the financial statements reflect the Bank's post-employment benefit obligations as computed by the actuary. In carrying out their audit, the auditors rely on the actuary's report.

The Group's net obligation in respect of its defined-benefit plans (note 23) is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; that value is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is determined by reference to the yield at the reporting date on long-term government instruments of terms approximating those of the Group's obligation.

Re-measurements of the net defined-benefit liability, which comprise actuarial gain and losses, are recognised immediately in other comprehensive income. The Group determines the net interest expense on the net defined-benefit liability for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the year to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the year as a result of the contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of the plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognise gain and losses on the settlement of a defined benefit plan when the settlement occurs.

[iv] Other long-term employee benefits:

The Bank's net obligation in respect of long-term employee benefits is the amount of future benefits that employees have earned in return for their services in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

[v] Termination benefits:

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises cost for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

(l) Provisions and contingencies:

[i] Provisions

A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. If the effect is material, discount provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

[ii] Contingencies

When it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability unless the probability of outflow of economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable.

(m) Other payables:

Other payables are measured at amortised cost.

(n) Taxation:

[i] Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss, except to the extent that it relates to a business combination or to items recognised directly in equity or in other comprehensive income.

Current tax comprises expected tax payable on the taxable income or loss for the year, as adjusted for tax purposes, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

[ii] Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries, to the extent that it is probable that they will not reverse in the foreseeable future.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which the asset can be realised. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insignificant to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversal of existing temporary differences, are considered based on the business plans for the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future profits improves.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted as at the reporting date. Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

41. Significant accounting policies (continued)

(o) Foreign currencies:

[i] Monetary foreign currency balances at the reporting date are translated at the Bank of Jamaica's weighted average rate of US$1.00 = J$125.3198, UK£1.00 = J$176.7955 and Cdn$1.00 = J$96.6059, being the rates of exchange ruling on that date. Other foreign currency balances at the reporting date have been translated using indicative rates provided by the Bank of Jamaica of Euro1.00 = J$154.6148 and Cayman Dollar 1.00 = J$153.2132.

[ii] Transactions in foreign currencies are converted at the rates of exchange ruling on the dates of those transactions. Realised and unrealised gain and losses arising from fluctuations in exchange rates are included in profit or loss, except for differences arising on the retranslation of available-for-sale equity investments [note 40(d)(v)] and foreign operations [note 41(o)(iii)].

[iii] For the purpose of consolidating the financial statements of the Group's foreign subsidiary, the statement of financial position is translated at the closing rate and the statement of revenue and expenses at the average rate of exchange for the year. Translation differences are recognised in other comprehensive income and presented in an exchange equalisation reserve in equity [note 27(a)].

(p) Provision for credit losses:

The provision for credit losses is maintained at a level considered adequate to provide for probable credit losses and is based on management's evaluation of individual loans in the credit portfolio. The evaluation takes all relevant matters into consideration, including prevailing and anticipated business and economic conditions, the collateral held, the debtor's ability to repay the loan and guidance provided by Bank of Jamaica, which requires that appropriate provision be made for all loans on which interest payments and principal repayments are ninety or more days in arrears. Amounts are written-off from the provision whenever management has concluded that such amounts may not be recovered.

General provisions for credit losses are established against the portfolio where a prudent assessment by the Group of adverse economic trends and losses inherent in its portfolio suggest that losses may occur, but such losses cannot be determined on an item-by-item basis. This provision is maintained by the Group at levels in excess of the minimum ½% established by the Bank of Jamaica.

IFRS only permits specific loan loss provision and a general provision based upon the Group's actual credit loss experience. It also requires that the expected future cash flows of impaired loans be discounted and the increase in the present value be reported as interest income. The credit loss provision required under the Regulations (note 2) that is in excess of the requirements of IFRS is treated as an appropriation of retained earnings and included in a non-distributable credit loss reserve.

(q) Interest income and expense:

Interest income and expense are recognised in profit or loss on the accrual basis, using the effective yield method, except that, where collection of interest income is considered doubtful, or where payment is outstanding for 90 days or more, the cash basis is used. Accrued interest on loans, which are in arrears for 90 days and over, is excluded from income in accordance with the Regulations.

IFRS requires that when collection of loans becomes doubtful, such loans should be written down to their recoverable amounts after which interest income is to be recognised based on the rate of interest that was used to discount the future cash flows in arriving at the recoverable amount. The difference between the basis of interest recognition under IFRS and the Regulations is not considered material.

(r) Impairment of non-financial assets:

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(s) Operating leases:

Payments made under operating leases are recognised in profit or loss on the straight-line basis over the life of the lease.

(t) Revenue recognition:

Revenue from the provision of services is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer and the consideration can be reliably measured. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, or material associated costs on the possible return of goods.

Investment income arises from financial assets and is comprised of interest and dividends and recognised gain/losses on financial assets. Dividend income is recognised when the right to receive income is established.

Accounting policy for interest income is described at note 41(q).

(u) Fees and commission:

Fees and commission income and expense that are integral to the negotiation of a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed. When a loan commitment is not expected to result in the drawdown of a loan, loan commitment fees are recognised on the straight-line basis over the commitment period.

Other fees and commission expenses relate mainly to transaction and service fees that are recognised and expensed as the services are received.

(v) Definition of related party:

A related party is a person or entity that is related to the Group ("reporting entity").

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or a parent of the Group.

41. Significant accounting policies (continued)

(v) Definition of related party (continued):

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the group is itself such a plan, the sponsoring employers are also related to the Group.
(vi) The entity is controlled, or jointly controlled by a person identified in (a).
(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

(w) New, revised and amended standards and interpretations not yet effective:

Certain new, revised and amended standards and interpretations have been issued which are not yet effective for the current year and which the Group has not early-adopted. The Group has assessed the relevance of all such new standards, amendments and interpretations with respect to the Group's operations and has determined that the following are likely to have an effect on the financial statements.

- The Group is required to adopt IFRS 15 *Revenue from Contracts with Customers* from January 1, 2018. The standard establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*.

  The Group will apply a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised at a point in time, when control of goods or services is transferred to the customer; or over time, in a manner that best reflects the entity's performance.

  Management has assessed that the main impact of this standard is in respect of fees and commission income. The Group earns fees and commission income on provision of account servicing, investment management, placement and syndication services. Based on preliminary review, IFRS 15 is not expected to have a material impact on the timing and recognition of fee and commission income. However, management has not yet completed its assessment and the financial impact has not yet been determined.

- The Group is required to adopt IFRS 9 *Financial Instruments* from January 1, 2018. The standard replaces IAS 39 *Financial Instruments: Recognition and Measurement* and sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. It contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

  Based on its preliminary assessment, the company does not believe that the new classification requirements will have a material impact on its accounting for accounts receivables, loans, investments in debt securities and securities purchased under resale agreements. However, the company is still in the process of its assessment and the final impact is not yet known.

  IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments. Under IFRS 9, loss allowances will be measured on either of the following bases:

  - 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
  - Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

  Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for short-term receivables without a significant financing component.

  The Group believes that impairment losses are likely to increase and become more volatile for assets in the scope of IFRS 9 impairment model. However, the Group is still in the process of determining the likely financial impact on its financial statements. IFRS 9 will require extensive disclosures, in particular for credit risk and ECLs. The Group's assessment included an analysis to identify data gaps against current processes and the Group is in the process of implementing the system and control changes that it believes will be necessary to capture the required data.

  Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as follows:

  - The Group will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement as well as impairment changes. Differences in the carrying amounts of financial instruments resulting from the adoption of IFRS 9 will generally be recognized in retained earnings and reserves as at January 1, 2018.
  - The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application:
    - The determination of the business model within which a financial asset is held.
    - The designation and revocation of previous designations of certain financial assets as measured at FVTPL.
    - The designation of certain investments in equity investments not held for trading as at FVOCI.

41. Significant accounting policies (continued)

(w) New, revised and amended standards and interpretations not yet effective (continued):

- IFRS 16 *Leases,* which is effective for annual reporting periods beginning on or after January 1, 2019, eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Entities will be required to bring all major leases on-balance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short- term leases and for low-value items with value of US$5,000 or less.

  Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases.

- Amendments to IAS 40, *Transfers of Investment Property,* effective for annual reporting periods beginning on or after January 1, 2018, clarifies when an entity should transfer a property asset to, or from, investment property. A transfer is made when and only when there is an actual change in use – i.e. an asset meets or cease to meet the definition of investment property and there is evidence of the change in use.

  The entity has a choice on transition to apply the prospective approach – i.e. apply the amendments to transfers that occur after the date of initial application – and also reassess the classification of property assets held at that date; or apply the amendments retrospectively in accordance with IAS 8, but only if it does not involve the use of hindsight.

  The Group is assessing the impact that this amendment will have on its financial 2019 statements.

- *Improvements to* IFRSs *2014-2016* contain amendments to certain standards applicable to the Group as follows:

  - IAS 28, *Investments in Associates and Joint Ventures,* effective retrospectively for annual reporting periods beginning on or after January 1, 2018, has been amended to clarify or state the following:

    (i) A venture capital organisation, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis.
    (ii) A non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture.

  - IFRIC 22, *Foreign Currency Transactions and Advance Consideration*, effective for annual reporting periods beginning on or after January 1, 2018, addresses how to determine the transaction date when an entity recognises a non-monetary asset or liability (e.g. non-refundable advance consideration in a foreign currency) before recognising the related asset, expense or income. It is not applicable when an entity measures the related asset, expense or income or initial recognition at fair value or at the fair value of the consideration paid or received at the date of initial recognition of the non-monetary asset or liability.

    An entity is not required to apply this interpretation to income taxes or insurance contracts that it issues or reinsurance contracts held.

    The interpretation clarifies that the transaction date is the date on which the entity initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.

  - IFRIC 23, *Uncertainty over income tax treatments*, is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. IFIC 23 clarifies the accounting treatment for income tax treatments that are yet to be accepted by tax authorities, whilst aiming to enhance transparency.

    IFRIC 23 is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

    An entity has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that is used or plans to use in its income tax filing.

    If the entity concludes that it is probable that a particular tax treatment is accepted, the entity has to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings.

    If the entity concludes that it is not probable that a particular tax treatment is accepted, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better predictions of the resolution of the uncertainty.

    IFRIC 23 does not add any new disclosure requirements. However, it highlights an entity shall determine whether it should disclose judgements made in the process of applying its accounting policy to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, in accordance with paragraph 122 of IAS 1 presentation of financial statements.

    IFRIC 23 requires disclosure when it is probable that taxation authority will accept an uncertain tax treatment, paragraph 88 of IAS 12 should be applied to determine the disclosure of a tax- related contingency.

    The Group is assessing the impact that these new standards and amendments will have on its financial statements, when they are adopted.

    If facts and circumstances change, the entity is required to reassess the judgements and estimates applied.

    IFRIC 23 reinforces the need to comply with existing disclosure requirements regarding:

    - judgements made in the process of applying accounting policy to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
    - assumptions and other estimates used; and
    - potential impact of uncertainties that are not reflected in the financial statements.

42. Subsequent events

(i) The exchange rate of the Jamaica dollar at July 27, 2018 being the Bank of Jamaica weighted average exchange rate of the Jamaica dollar was US$1 to J$133.3957, £1 to J$176.0537, Cdn$1 to J$103.6942, €1 to J$153.6409, and Cayman dollar 1 to J$162.7241, compared to US$1 to J$125.3198, £1 to J$176.7955, Cdn$1 to J$96.6059, €1 to J$154.6148 and Cayman dollar 1 to J$153.2132, at March 31, 2018.

(ii) On June 1, 2018 the Government of Barbados announced that it was suspending payments due on debts owed to external commercial creditors. Post-announcement the price of the Government of Barbados bonds declined by approximately 35% compared to its March 31, 2018 value. As at March 31, 2018 the Bank held USD denominated investment in the Government of Barbados bonds with a carrying value of $109,516,000 (2017: $121,702,000).

No adjustment has been made to the financial statements to this effect.