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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") set out on pages 5 to 98, which comprise the statement of financial position as at March 31, 2019, the statement 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 Bank as at March 31, 2019, and of 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JN BANK LIMITED

Report on the Audit of the Financial Statements (continued)

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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JN BANK LIMITED

Report on the Audit of the Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- 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.

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 Accountants
Kingston, Jamaica

June 28, 2019

JN BANK LIMITED

Statement of Financial Position
March 31, 2019

	Notes	2019 $'000	2018 $'000
ASSETS			
Cash and cash equivalents	6	22,793,176	26,602,881
Securities purchased under resale agreements	7	2,299,632	922,137
Investments	8	50,156,151	52,017,064
Due from related entities	9(b)(i)	916,705	1,587,054
Taxation recoverable		1,000,827	933,529
Interest in associate	10	161,093	181,294*
Loans, after allowance for impairment losses	11	89,577,885	78,970,035
Other assets	12	660,691	395,212
Assets held for sale	13	404,560	428,919
Investment properties	14	182,311	180,608
Property, plant and equipment	15	3,417,458	3,431,067
Intangible assets	16	142,928	162,963
Deferred tax asset	17	724,119	230,250
Total assets		172,437,536	166,043,013
LIABILITIES			
Due to specialised financial institutions		18,614,327	17,398,102
Customer deposits	18	127,460,523	115,873,375
Securities sold under repurchase agreements	19	3,317,838	8,735,145
Other payables	20	1,636,682	1,546,444
Margin loan payable	21	898,159	2,506,396
Taxation payable		350,003	98,199
Employee benefits obligation	22(a)	1,524,407	1,248,296
Total liabilities		153,801,939	147,405,957
EQUITY			
Share capital	23	4,511,000	4,511,000
Reserve fund	24	7,600,000	7,600,000
Contractual savings reserve	25	14,223	14,223
Other reserves	26	4,835,869	4,108,252
Retained earnings		1,674,505	2,403,581*
Total equity		18,635,597	18,637,056
Total liabilities and equity		172,437,536	166,043,013

The financial statements on pages 5 to 98 were approved for issue by the Board of Directors on June 28, 2019 and signed on its behalf by:

Kathleen Moss — Director

Earl Jarrett — Director

Curtis Martin — Director

*Restated see note 38(d)

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

JN BANK LIMITED

Statement of Profit or Loss
Year ended March 31, 2019

	Notes	2019 $'000	2018* $'000
Interest revenue calculated using the effective interest method:			
Interest on loans		7,452,188	6,684,893
Interest on investments		2,265,427	2,646,132
		9,717,615	9,331,025
Interest expense	28	(2,141,784)	(2,095,676)
Net interest revenue		7,575,831	7,235,349
Impairment losses on financial instruments	33(v)	(180,545)	-
Gain on disposal of fair value through other comprehensive income (FVOCI) investment securities		708,386	810,104
Unrealised loss on fair value through profit or loss (FVTPL) investment securities		(78,985)	-
Fees and commission income	29(a)	1,076,191	796,893
Other operating income	29(b)	2,688,385	2,083,734
Operating expenses	30	(10,836,749)	(9,717,205)
Operating profit		952,514	1,208,875
Share of profit of associate	10	40,103	58,282
Unrealised foreign exchange losses		(202,295)	(53,470)
Profit before taxation		790,322	1,213,687
Taxation	31	(267,714)	(526,881)
Profit for the year		522,608	686,806

*Restated see note 38(d)
To be read in conjunction with the accompanying notes to the financial statements.

JN BANK LIMITED

Statement of Other Comprehensive Income
Year ended March 31, 2019

	Notes	2019 $'000	2018* $'000
Profit for the year		522,608	686,806
Other comprehensive income:			
Items that are or may be reclassified to profit or loss:			
Realised gain on investments recognised in statement of profit or loss		(708,387)	(810,104)
Increase in fair value of FVOCI investment securities net of impairment losses (2018: available-for-sale investment securities)		545,504	715,876
Deferred tax on FVOCI investment securities and ECL (2018: available-for-sale investment securities)	17	54,295	31,409
		(108,588)	(62,819)
Items that will never be reclassified to profit or loss:			
Remeasurement of employee benefits obligation	22(d)	(118,295)	(90,627)
Deferred tax on employee benefits obligation	17	39,432	30,209
		(78,863)	(60,418)
Total other comprehensive loss for the year		(187,451)	(123,237)
Total comprehensive income for the year		335,157	563,569

*Restated see note 38(d)
To be read in conjunction with the accompanying notes to the financial statements.

JN BANK LIMITED

Statement of Changes in Equity
Year ended March 31, 2019

	Share capital $'000 (note 23)	Reserve fund $'000 (note 24)	Contractual savings reserve $'000 (note 25)	Other reserves $'000 (note 26)	Retained earnings $'000	Total $'000
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, as previously stated	-	-	-	-	628,524	628,524
Prior year adjustment – interest in associate [note 38(d)]	-	-	-	-	58,282	58,282
Profit for the year, as restated	-	-	-	-	686,806	686,806
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, as restated	-	-	-	(62,819)	626,388	563,569
Movements between reserves:						
Transfer to credit loss reserve	-	-	-	87,489	(87,489)	-
Transaction with owners:						
Dividends (note 37)	-	-	-	-	(832,000)	(832,000)
Restated balances as at March 31, 2018	4,511,000	7,600,000	14,223	4,108,252	2,403,581	18,637,056
Changes on initial application of IFRS 9 [see note 38(c)]	-	-	-	98,973	(195,589)	(96,616)
Restated balances at April 1, 2018	4,511,000	7,600,000	14,223	4,207,225	2,207,992	18,540,440
Total comprehensive income for the year:						
Profit for the year	-	-	-	-	522,608	522,608
Other comprehensive income						
Realised gain on investments recognised in statement of profit or loss	-	-	-	(708,387)	-	(708,387)
Increase in fair value of investment securities classified as fair value through other comprehensive income (FVOCI)	-	-	-	545,504	-	545,504
Deferred tax on FVOCI investment securities	-	-	-	54,295	-	54,295
Remeasurement of employee benefits obligation	-	-	-	-	(118,295)	(118,295)
Deferred tax on employee benefits obligation	-	-	-	-	39,432	39,432
Total other comprehensive loss	-	-	-	(108,588)	(78,863)	(187,451)
Total comprehensive (loss)/income	-	-	-	(108,588)	443,745	335,157
Movements between reserves:						
Transfer to credit loss reserve				(262,768)	262,768	-
Transfer to retained earnings reserve	-	-	-	1,000,000	(1,000,000)	-
	-	-	-	737,232	(737,232)	-
Transaction with owners:						
Dividend (note 37)	-	-	-	-	(240,000)	(240,000)
Balances as at March 31, 2019	4,511,000	7,600,000	14,223	4,835,869	1,674,505	18,635,597

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

JN BANK LIMITED

Statement of Cash Flows
Year ended March 31, 2019

	Notes	2019 $'000	2018* $'000
Cash flows from operating activities			
Profit for the year		522,608	686,806
Adjustments to reconcile profit to net cash provided by operating activities:			
Depreciation - property, plant and equipment and investment properties	14,15	351,809	402,816
Amortisation of intangible assets	16	102,720	79,218
Gain on disposal of property, plant and equipment		(6,087)	(2,468)
Gain on disposal of foreclosed properties		(17,079)	(4,925)
Gain on disposal of investments		(708,386)	(810,104)
Gain from foreign exchange rate changes		(475,460)	19,901
Impairment losses on financial instrument		180,545	158,699
Dividend income	29	(23,226)	(23,226)
Interest income		(9,717,615)	(9,331,025)
Interest expense	28	2,141,784	2,095,676
Tax expense	31(i)	619,548	268,467
Deferred taxation	31(ii)	(351,834)	258,414
Employee benefits obligation		157,816	155,907
Net decrease in foreclosed properties		(40,955)	(48,834)
		(7,263,812)	(6,094,678)
Changes in operating assets and liabilities:			
Net additions to loans		(10,547,696)	(8,677,135)
Other assets		(268,579)	345,585
Taxation payable		(67,298)	(49,442)
Due to specialised financial institutions		1,279,359	1,513,715
Due from related entities		665,616	(2,615,686)
Net receipts from customers deposits		12,761,453	5,889,610
Securities purchased under resale agreements		(1,378,909)	5,426,628
Other payables		(1,505,579)	2,877,953
Securities sold under repurchase agreements		(5,396,411)	1,558,507
		(11,721,856)	175,057
Interest paid		(2,109,515)	(2,216,069)
Interest received		9,697,479	9,246,026
Income tax paid		(367,743)	(239,515)
Net cash (used in)/provided by operating activities		(4,501,635)	6,965,499
Cash flows from investing activities			
Investments		(11,838,768)	(24,144,424)
Interest in subsidiary		-	545,300
Interest in associate		20,201	(24,453)
Dividend received		23,226	23,226
Assets held for sale		(7,728)	(16,981)
Purchases of intangible assets	16	(82,685)	(75,606)
Purchase of property, plant and equipment	15	(371,012)	(444,367)
Proceeds from disposal of assets held for sale		90,121	164,614
Proceeds from disposal of property, plant and equipment		37,196	8,721
Proceeds from disposal of investments		13,372,820	19,604,182
Net cash provided by/(used in) investing activities		1,243,371	(4,359,788)**
Net cash (used in)/provided by operating and investing activities (page 10)		(3,258,264)	2,605,711**

*Restated see note 38(d)
**Reclassified to conform to current year's presentation [see note 3(e)].
To be read in conjunction with the accompanying notes to the financial statements.

JN BANK LIMITED

Statement of Cash Flows (Continued)
Year ended March 31, 2019

	2019 $'000	2018* $'000
Net cash (used in)/provided by operating and investing activities (page 9)	(3,258,264)	2,605,711**
Cash flows from financing activities		
Bank overdraft	-	(12,646)
Dividends paid	(240,000)	(832,000)
Net cash used in financing activities	(240,000)	(844,646)**
Net (decrease)/increase in cash and cash equivalents	(3,498,264)	1,761,065**
Cash and cash equivalents at beginning of the year	26,602,881	24,297,053
Effects of exchange rate changes on cash and cash equivalents	(311,441)	544,763
Cash and cash equivalents at end of the year	22,793,176	26,602,881

*Restated see note 38(d)
**Reclassified to conform to current year's presentation [see note 3(e)].
To be read in conjunction with the accompanying notes to the financial statements.

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 Bank is a wholly owned subsidiary of JN Financial Group which is a subsidiary of the JN Group Limited ("ultimate parent"). The entities were incorporated in Jamaica under the Jamaican Companies Act.

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.

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 comply with the relevant provisions of the Jamaican Companies Act.

Details of the Bank's accounting policies, including changes during the year, are included in notes 38 and 39.

This is the first set of the Bank's annual financial statements in which IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* have been applied.

(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;
- financial instruments at fair value through other comprehensive income;
- 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.

JN BANK LIMITED

Notes to the Financial Statements (Continued)
March 31, 2019

3 Statement of compliance and basis of preparation (continued)

(d) Use of estimates, assumptions 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 estimates are 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.

Dividends paid, previously presented as cash flows from investing activities has been reclassified and is now disclosed as cash flows from financing activities.

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:

Applicable for 2019 and 2018

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.

4. **Accounting estimates and judgements (continued)**

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

(i) Post-retirement benefits (continued):

Applicable for 2019 and 2018 (continued)

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 Bank'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.

(ii) Allowance for impairment losses:

Applicable from April 1, 2018

Measurement of the expected credit loss (ECL) allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and fair value through other comprehensive income (FVOCI) is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in notes 33(b) and 39(a).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the Bank in the above areas is set out in note 33.

Applicable before April 1, 2018

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.

4. Accounting estimates and judgements (continued)

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

(iii) Valuation of financial instruments:

Applicable for 2019 and 2018

The Bank's accounting policy on fair value measurements is discussed in accounting policy [see note 39(e)(vii)].

When measuring the fair value of an asset or liability, the Bank 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 Bank 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 and investment propertiy:

Applicable for 2019 and 2018

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 Bank.

JN BANK LIMITED

Notes to the Financial Statements (Continued)
March 31, 2019

4. Accounting estimates and judgements (continued)

(b) Critical accounting judgements in applying accounting policies:

(i) Classification of financial assets:

Applicable from April 1, 2018

The assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest (SPPI) on the principal amount outstanding requires management to make certain judgements on its business operations.

Applicable before April 1, 2018

In classifying financial assets, management makes judgements about whether the criteria are met. For example, the determination of whether a security may be classified as ‘loans and receivables’ or whether a security’s fair value may be classified as ‘Level 1’ in the fair value hierarchy [note 34(a)] requires judgement as to whether a market is active.

(ii) Impairment of investment in equity securities:

Applicable for 2019 and 2018

Investments in equity securities are evaluated for impairment on the basis described in accounting policy [note 39(e)(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 Bank 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”.

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.

(iii) Deferred tax asset:

Applicable for 2019 and 2018

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.

JN BANK LIMITED

Notes to the Financial Statements (Continued)
March 31, 2019

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 Bank's health and 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 Bank 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 pursuant to the Jamaican Companies Act, to conduct an independent and objective audit of the financial statements of 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 Bank's post-employment and other obligations. The auditors' report outlines the scope of their audit and their opinion.

6. Cash and cash equivalents

	2019 $'000	2018 $'000
Cash reserve with Bank of Jamaica [see (a)]	13,976,951	14,875,474
Cash and cash equivalents [see (b)]	8,816,225	11,727,407
	22,793,176	26,602,881

(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, 2019, the cash reserve requirement is nine percent (9%) (2018: 12%) for Jamaica dollars and fifteen percent (15%) (2018: 14%) for foreign currency of the average prescribed liabilities, respectively. Up to February 2019, the cash reserves rate in Jamaica dollars was 12% and this was reduced to 9% on March 1, 2019. At March 31, 2019, the Bank met the cash reserve requirements. On June 3, 2019, the cash reserves requirement was further reduced to 7% for Jamaica dollars of the average prescribed liabilities.

(b) The Bank has the following securities pledged:

(i) $360,900,000 (2018: $321,500,000) to facilitate settlement of Multilink transactions;

(ii) $2,945,249 (2018: $2,896,000) with a commercial bank to cover a third party guarantee;

(iii) $62,510,050 (2018: $62,659,900) for bid collateral; and

(iv) $3,548,667,353 (2018: $9,327,154,000) for repurchase agreements collateral.

(c) The Bank has a $145,000,000 (2018: $145,000,000) unsecured overdraft facility with a commercial bank.

JN BANK LIMITED

Notes to the Financial Statements (Continued)
March 31, 2019

6. Cash and cash equivalents (continued)

(d) Cash and cash equivalents include cash collected on behalf of related entities amounting to $214,328,000 (2018: $218,173,000) (see note 20).

7. Securities purchased under resale agreements

	2019 $'000	2018 $'000
Principal	2,298,000	921,919
Interest receivable	1,632	218
	2,299,632	922,137

At March 31, 2019, securities obtained and held under resale agreements had a fair value of $2,620,890,000 (2018: $1,137,263,000).

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

	2019 $'000	2018 $'000
Within 3 months	2,298,000	921,919

8. Investments

	2019 $'000	2018 $'000
Amortised cost (2018: Loans and receivables)		
Corporate bonds	1,084,136	738,814
Certificates of deposit	7,348,540	13,491,529
Promissory note	50,000	30,000
	8,482,676	14,260,343
Fair value through other comprehensive income (2018: Available-for-sale)		
Corporate bonds	8,104,863	12,050,547
Government of Jamaica securities	24,240,846	22,925,637
Treasury bills	8,651,201	2,004,019
Quoted equities	145,586	153,474
Unquoted equities [see (i) below]	29,353	29,353
	41,171,849	37,163,030
Sub-total	49,654,525	51,423,373
Interest receivable	520,706	595,655
	50,175,231	52,019,028
Less ECL (2018: loss allowance)	(19,080)	(1,964)
	50,156,151	52,017,064

JN BANK LIMITED

Notes to the Financial Statements (Continued)
March 31, 2019

8. Investments (continued)

(i) In the prior year, the Bank purchased $29,273,000 of shares in Automated Payments Limited, an automated clearing house operator. These shares are carried at cost.

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

	2019 $'000	2018 $'000
No specific maturity	174,939	182,827
Within 3 months	8,789,966	9,647,697
3 months to 1 year	5,648,321	10,051,813
1 year to 5 years	12,002,948	12,144,961
5 years and over	23,038,351	19,396,075
	49,654,525	51,423,373

9. Related party balances and transactions

(a) Identity of related parties:

The Bank has a related party relationship with its 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:

	2019 $'000	2018 $'000
(i) Due from related entities		
Due from ultimate parent	-	12,794
Due from parent (1)	547,094	547,094
Due from other related entities, net (2)	369,611	1,027,166
	916,705	1,587,054

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

(2) These unsecured balances are interest free with no fixed repayment terms

JN BANK LIMITED

Notes to the Financial Statements (Continued)
March 31, 2019

9. Related party balances and transactions (continued)

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

	2019 $'000	2018 $'000
Cash and cash equivalents		
Other related entities	105,897	66,900
Other assets		
Other related entities	84,968	60,155
Loans		
Directors	3,555	40,722
Other key management personnel	66,207	54,037
Customer deposits		
Directors	(61,892)	(69,814)
Other key management personnel	(24,709)	(57,346)
Ultimate parent company	(30,614)	(191,703)
Parent company	(100,709)	(152,109)
Other related entities	(2,470,974)	(2,488,159)
Securities sold under repurchase agreements		
Other related entities	(195,020)	(304,360)
Other payables		
Other related entities	(230,797)	(241,065)

(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:

	2019 $'000	2018 $'000
Related entities:		
Interest income	(62,472)	(21,323)
Management fees	(895,837)	(971,596)
Other income	(175,881)	(171,176)
Maintenance expenses	23,397	26,517
Management fees	589,709	18,600
Computer related expenses	263,520	209,404
Commission	280,306	249,909
Other expenses	447,935	337,460
Insurance	128,089	100,567
Interest expense	44,905	56,984
Marketing	267,073	135,165
Other related parties:		
Contribution to pension scheme	120,197	110,530
Contribution to Foundation	27,570	50,400

JN BANK LIMITED

Notes to the Financial Statements (Continued)
March 31, 2019

9. Related party balances and transactions (continued)

(e) Compensation paid to key management personnel (directors and senior executives), included in staff costs (note 32), is as follows:

	2019 $'000	2018 $'000
Short-term benefits	132,865	117,479
Post-employment benefits	4,140	3,405
	137,005	120,884

10. Interest in associate

Interest in associate held by the Bank represents a 20% shareholding in JN Money Services (Cayman) Limited. The nature of business is money transfer service, including remittance and bill payments. The Bank no longer prepares consolidated financial statements and its share of interest in associate has been recorded in these financial statement, using the equity method [see notes 1 and 38(d)].

	JN Money Services (Cayman) Limited	
	2019 $'000	2018 $'000
Percentage ownership interest	**20%**	**20%**
Non-current assets	547,595	393,145
Current assets	735,663	826,892
Current liabilities	(523,760)	(350,705)
Net assets (100%)	759,498	869,332
Group's share of net assets (20%)	151,900	173,866
Foreign currency adjustment	9,193	7,428
Carrying amount of interest in associate	161,093	181,294
Revenue	895,435	831,488
Expenses	(694,920)	(540,077)
Profit, being and total comprehensive income (100%)	200,515	291,411
Bank's share of profit in associate Profit, being and total comprehensive income (20%)	40,103	58,282
Dividends received by Bank	60,303	-

11. Loans, after allowance for impairment losses

	2019 $'000	2018 $'000
Mortgage loans – principal [see (a)]	69,517,577	65,816,147
Term loans	1,471,783	1,484,343
Other loans [see (b)]	18,132,226	11,248,387
	89,121,586	78,548,877
Accrued interest	456,299	421,158
	89,577,885	78,970,035

JN BANK LIMITED

Notes to the Financial Statements (Continued)
March 31, 2019

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

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:

	2019 $'000	2018 $'000
Within 3 months	1,004,239	1,299,323
3 months to 1 year	2,522,796	467,331
1 year to 5 years	12,942,931	10,256,692
5 years and over	72,651,620	66,525,531
	89,121,586	78,548,877

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

	Number of accounts		Value	
	2019	2018	2019 $'000	2018 $'000
Professional and other services	418	616	981,805	1,519,326
Individuals	47,363	39,650	78,479,746	69,856,896
Corporations	431	660	10,116,334	7,593,813
	48,212	40,926	89,577,885	78,970,035

Loans and advances on which interest is no longer accrued [see note 39(q)] amounted to $8,789,488,000 (2018: $7,816,915,000). This represents 9.75% (2018: 9.82%) of the gross loan portfolio. These loans are included in the financial statements, net of allowance for losses.

Impairment losses on loans are as follows:

	2019 $'000	2018 $'000
At beginning of the year	975,698	817,248
IFRS 9 transition [note 38(c)]	122,544	-
Increase in allowance made during the year [note 33(b)(v)]	163,285	158,450
Write-offs during the year [note 33(b)(v)]	(362,723)	-
At end of the year [note 33(b)(v)]	898,804	975,698

JN BANK LIMITED

Notes to the Financial Statements (Continued)
March 31, 2019

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

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

	2019 $'000	2018 $'000
Specific provision	898,804	713,188
General provision	-	262,510
	898,804	975,698

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

	2019 $'000	2018 $'000
Specific provision	1,505,840	1,428,126
General provision	519,079	936,704
	2,024,919	2,364,830

The total provision is broken down as follows:

	2019 $'000	2018 $'000
Provision as per IFRS [note 33(b)]	898,804	975,698
Additional provision based on Bank of Jamaica and other provisioning requirements [note 26(b)]	1,126,115	1,389,132
	2,024,919	2,364,830

(a) Included in mortgage loans are balances due from directors and companies controlled by directors amounting to $15,094,000 (2018: $40,631,000) and interest due on these loans of $23,000 (2018: $98,000).

(b) On October 26, 2018 the Bank entered into a Non-Recourse Participation Agreement with JN Small Business Loans Limited to purchase an interest in a portfolio of loans, for the sum of six hundred million, six hundred and thirty eight thousand five hundred and seventy six dollars and ninety four cents ($600,638,576.94).

12. Other assets

	2019 $'000	2018 $'000
Other receivables	640,984	353,397
Inventories	19,707	41,815
	660,691	395,212

JN BANK LIMITED

Notes to the Financial Statements (Continued)
March 31, 2019

13. Assets held for sale

	2019 $'000	2018 $'000
Foreclosed properties	920,362	903,766
Less impairment losses (see note below)	(515,802)	(474,847)
	404,560	428,919

Movement on impairment losses is as follows:

	2019 $'000	2018 $'000
At beginning of year	474,847	426,013
Increase in allowance	40,955	48,834
At end of year	515,802	474,847

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 39(j)].

14. Investment properties

	$'000
At cost:	
March 31, 2017	189,909
Transfers from property, plant and equiptment (note 15)	42,505
March 31, 2018	232,414
Transfers from property, plant and equipment (note 15)	6,720
March 31, 2019	239,134
Depreciation:	
March 31, 2017	29,618
Transfers from property, plant and equiptment (note 15)	20,758
Charge for the year	1,430
March 31, 2018	51,806
Charge for the year	5,017
March 31, 2019	56,823
Carrying values:	
March 31, 2019	182,311
March 31, 2018	180,608
March 31, 2017	160,291

Included in investment properties is the cost of land at $5,736,000 (2018: $5,736,000).

JN BANK LIMITED

Notes to the Financial Statements (Continued)
March 31, 2019

14. Investment properties (continued)

	2019 $'000	2018 $'000
Fair value of investment properties	535,912	535,912
Income earned from the properties	42,958	38,121
Expenses incurred by the properties	46,778	33,110

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)

JN BANK LIMITED

Notes to the Financial Statements (Continued)
March 31, 2019

15. Property, plant and equipment

	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, 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 14)	(42,505)	-	-	-	-	(42,505)
Write-off	-	-	-	-	(23,098)	(23,098)
March 31, 2018	2,796,199	247,184	2,911,067	705,356	46,135	6,705,941
Additions	3,593	-	125,838	59,281	182,300	371,012
Disposals	-	-	(481)	(118,860)	-	(119,341)
Transfer to investment properties (note 14)	(6,720)	-	-	-	-	(6,720)
Transfers	14,516	-	2,013	-	(16,529)	-
Write-off	-	-	(6,174)	-	(17,077)	(23,251)
March 31, 2019	2,807,588	247,184	3,032,263	645,777	194,829	6,927,641
Depreciation:						
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 14)	(20,758)	-	-	-	-	(20,758)
March 31, 2018	479,650	195,828	2,109,672	489,724	-	3,274,874
Charge for the year	59,556	12,875	183,046	91,315	-	346,792
Eliminated on disposals	-	-	(466)	(111,017)	-	(111,483)
March 31, 2019	539,206	208,703	2,292,252	470,022	-	3,510,183
Net book values:						
March 31, 2019	2,268,382	38,481	740,011	175,755	194,829	3,417,458
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

Included in freehold land and buildings is the cost of land at $103,793,000 (2018: $115,264,000).

JN BANK LIMITED

Notes to the Financial Statements (Continued)
March 31, 2019

16. Intangible assets

	Software $'000
At cost:	
March 31, 2017	775,271
Additions	75,606
March 31, 2018	850,877
Additions	82,685
March 31, 2019	933,562
Amortisation:	
March 31, 2017	608,696
Charge for the year	79,218
March 31, 2018	687,914
Charge for the year	102,720
March 31, 2019	790,634
Net book values:	
March 31, 2019	142,928
March 31, 2018	162,963
March 31, 2017	166,575

17. Deferred tax asset

	Assets		Liabilities		Net	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Property, plant and equipment	78,210	151,846	-	-	78,210	151,846
Employee benefits obligation	508,136	416,099	-	-	508,136	416,099
Other payables	33,068	29,715	-	-	33,068	29,715
Contractual savings reserve	-	-	(4,267)	(4,267)	(4,267)	(4,267)
FVOCI investment securities (2018: Available-for-sale investment securities)	-	-	(75,734)	(136,882)	(75,734)	(136,882)
Investment securities at amortised cost	7,015	-	-	-	7,015	-
Impairment losses on loans	243,193	-	-	(65,419)	243,193	(65,419)
Unrealised foreign exchange gains	-	-	(65,502)	(160,842)	(65,502)	(160,842)
Net deferred tax assets	869,622	597,660	(145,503)	(367,410)	724,119	230,250

JN BANK LIMITED

Notes to the Financial Statements (Continued)
March 31, 2019

17. Deferred tax asset (continued)

Movement in net temporary differences during the year are as follows:

	2019				
	Balances at April 1, 2018 $'000	Recognised in profit $'000	Recognised in other comprehensive income $'000	Recognised in equity $'000	Balances at March 31, 2019 $'000
Property, plant and equipment	151,846	(73,636)	-	-	78,210
Employee benefits obligation	416,099	52,605	39,432	-	508,136
Other payables	29,715	3,353	-	-	33,068
Contractual savings reserve	(4,267)	-	-	-	(4,267)
FVOCI investment securities (2018: Available-for-sale investments)	(136,882)	6,853	54,295	-	(75,734)
Impairment losses on loans	(65,419)	267,764	-	40,848	243,193
Investment securities at amortised cost	-	(445)	-	7,460	7,015
Unrealised foreign exchange gains	(160,842)	95,340	-	-	(65,502)
	230,250	351,834	93,727	48,308	724,119

	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

Movement in temporary differences during the year:

	2019 $'000	2018 $'000
Net deferred tax assets at beginning of year	230,250	427,046
Recognised in other comprehensive income:		
Defered tax adjustment on FVOCI investment securities (2018: Available-for-sale investments)	54,295	31,409
Employee benefits obligation	39,432	30,209
ECL on loans recognised in equity at transition	48,308	-
Recognised in statement of profit or loss [note 31(a)(ii)]	351,834	(258,414)
Net deferred tax assets at end of year	724,119	230,250

JN BANK LIMITED

Notes to the Financial Statements (Continued)
March 31, 2019

18. Customer deposits

	2019 $'000	2018 $'000
Deposits	127,107,276	115,636,428
Accrued interest	353,247	236,947
	127,460,523	115,873,375

Customer deposits are due from the reporting date as follows:

	2019 $'000	2018 $'000
Within 3 months	113,997,044	102,643,058
From 3 months to 1 year	12,386,483	11,909,423
Over 1 year	1,076,996	1,320,894
	127,460,523	115,873,375

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

	Number of accounts		Value	
	2019	2018	2019 $'000	2018 $'000
Public authorities	791	802	942,468	509,219
Financial institutions	236	178	6,685,337	2,797,397
Commercial and business	6,819	5,747	9,495,558	10,614,762
Individuals	851,428	824,457	110,337,160	101,951,997
	859,274	831,184	127,460,523	115,873,375

19. Securities sold under repurchase agreements

	2019 $'000	2018 $'000
Principal	3,303,099	8,699,510
Interest payable	14,739	35,635
	3,317,838	8,735,145

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

	2019 $'000	2018 $'000
Within 3 months	2,728,099	7,348,870
From 3 months to 1 year	575,000	1,350,640
	3,303,099	8,699,510

19. Securities sold under repurchase agreements (continued)

At March 31, 2019, securities obtained under resale agreements and certain investments have been pledged by the Bank as collateral for repurchase agreements. These financial instruments have a carrying value of $3,735,928,000 (2018: $9,809,127,000).

20. Other payables

	2019 $'000	2018 $'000
Staff related accrual	202,553	253,924
Insurance payable	78,860	153,310
Trade payables	611,993	470,836
Other payables	415,447	356,060
Customers' deposits [see (i) below]	327,829	312,314
	1,636,682	1,546,444

(i) Customers' deposits include amounts collected from customers on behalf of related entities amounting to $214,328,000 (2018: $218,173,000) [see note 6(d)].

21. 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 3.4% (2018: 2.3%) per annum.

22. 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 total contributions made for the year are included in employee costs (note 32).

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

JN BANK LIMITED

Notes to the Financial Statements (Continued)
March 31, 2019

22. 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:

	2019 $'000	2018 $'000
Present value of unfunded obligations	1,524,407	1,248,296

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

	2019 $'000	2018 $'000
Present value of unfunded obligations and supplementary benefit at beginning of year	1,248,296	1,001,769
Benefits paid	(10,421)	(6,147)
Service costs	75,006	90,897
Interest cost	93,231	71,157
Actuarial loss/(gain) arising from:		
Experience adjustments	(3,283)	1,712
Demographic assumption	(12,555)	61,002
Financial assumptions	134,133	27,906
Balances at end of year	1,524,407	1,248,296

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

	2019 $'000	2018 $'000
Current service costs	75,006	48,162
Past service cost	-	42,735
Interest cost on obligation	93,231	71,157
	168,237	162,054

(d) Items recognised in other comprehensive income:

	2019 $'000	2018 $'000
Remeasurement loss on obligation	118,295	90,627

22. Employee benefits obligation (continued)

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

	2019	2018
	%	%
Discount rate at March 31	7.0	7.5
Health cost inflation rate	6.0	6.0
Salary growth rate	-	5.5
Interest on contributions	7.0	8.0

(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.

	2019		2018	
	Increase 1%	Decrease 1%	Increase 1 %	Decrease 1 %
	$'000	$'000	$'000	$'000
Discount rate	(308,377)	422,136	(254,966)	349,746
Health inflation rate	388,497	(288,395)	316,207	(234,478)
Salary increase rate	-	-	3,178	(2,805)
Interest on contributions	14,388	(11,483)	-	-

(g) At March 31, 2019, the weighted average duration of the defined benefit obligation was 22.9 years (2018: 24.9 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 $54,150,000 (2018: $43,587,000) while a decrease of one year in life expectancy will result in a decrease in the employee benefits obligation by approximately $8,079,000 (2018: $7,781,000).

23. Share capital

Issued and fully paid:

	Number of units ('000)		Carrying value ('000)	
	2019	2018	2019	2018
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.

24. 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.

25. 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.

26. Other reserves

	2019 $'000	2018 $'000
Other reserve	16,356	16,356
Retained earnings reserve [see note 27]	3,429,000	2,429,000
Investment revaluation reserve [see (a)]	264,398	273,764
Credit loss reserve [see (b)]	1,126,115	1,389,132
	4,835,869	4,108,252

(a) This represents unrealised gains on the revaluation of investments classified as fair value through other comprehensive income (2018: available – for-sale) net deferred taxes and expected credit losses.

(b) This is a non-distributable reserve representing the excess of regulatory and other provisions over the IFRS provision for loan losses (note 11).

27. 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 26).

28. Interest expense

	2019 $'000	2018 $'000
Customer deposits	1,209,356	1,139,074
Specialised financial institutions	737,667	702,659
Other	194,761	253,943
	2,141,784	2,095,676

29. Fees and commission and other operating income

(a) Fees and commission

At a point in time:

	2019 $'000	2018 $'000
Commission income	2,866	1,703
Transaction fees	583,488	406,550
Loan fees	489,837	388,640
	1,076,191	796,893

(b) Other operating income

	2019 $'000	2018 $'000
Fair value loss on put option	-	(106,532)
Realised foreign exchange gains on trading	1,474,269	920,235
Management fees	918,778	997,414
Dividends	23,226	23,226
Other	272,112	249,391
	2,688,385	2,083,734

30. Operating expenses

	2019 $'000	2018 $'000
Administrative	4,176,089	3,416,186
Advertising and promotion	584,935	469,430
Audit fees	34,100	39,250
Bad debts written-off for loans and other receivables	134,031	204,706
Depreciation and amortisation	454,529	482,034
Employee costs (note 32)	4,836,311	4,597,913
Impairment losses	85,025	64,637
Legal and professional fees	531,729	443,049
	10,836,749	9,717,205

31. Taxation

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

	2019 $'000	2018 $'000
(i) Current tax expense:		
Income tax	619,548	268,467
(ii) Deferred taxation:		
Origination and reversal of temporary differences (note 17)	(351,834)	(12,209)
Tax losses (note 17)	-	270,623
	(351,834)	258,414
Total taxation in statement of profit or loss	267,714	526,881

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31. Taxation (continued)

(b) Reconciliation of effective tax charge:

Taxation is computed at a rate of 33⅓%. The effective tax rate for 2019 was 33.87% (2018: 43.41%) of $790,322,000 (2018: $1,213,687,000) pre-tax profit for the Bank. The actual charge differs from the "expected" tax charge for the year as follows:

	2019 $'000	2018 $'000
Profit before taxation	790,322	1,213,687
Computed "expected" tax expense at 15%	2,774	3,484
Computed "expected" tax expense at 33⅓%	263,440	401,078
	266,214	404,562
Difference between profit for financial statements, and tax reporting purposes on -		
Depreciation charge and capital allowances	98,393	13,207
Gain on disposal of property, plant and equipment	(10,959)	(807)
Unfranked and exempt income	(6,932)	(62,542)
Gain on disposal of investments	(149,264)	(185,969)
Disallowed expenses, net	70,262	320,192
Tax losses	-	38,238
Actual tax charge	267,714	526,881

32. Employee costs

The aggregate staff costs were as follows:

	2019 $'000	2018 $'000
Salaries	3,388,703	3,127,840
Pension, group life and health contributions	367,914	365,352
Statutory contributions	385,710	359,900
Staff welfare	369,271	399,588
Other	324,713	345,233
	4,836,311	4,597,913

33. Financial risk management

In this note “Group” refers to The Jamaica National Group and its subsidiaries.

(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 Bank’s exposure to each of the above risks, the Bank’s objectives, policies and processes for measuring and managing risk, and the Bank’s management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Bank’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 Bank’s risk management policies are established to identify, assess and measure the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The focus of financial risk management for the Bank is ensuring that the Bank 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.

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 Bank’s financial risk is through matching the timing of cash flows from assets and liabilities. The Bank 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 Bank can always meet its obligations without undue cost and in accordance with the Bank’s internal and regulatory capital requirements.

The Audit Committee is responsible for monitoring compliance with the Bank’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 Chief of Risk and Compliance Department, the Audit Committee and the Board of Directors.

33. Financial risk management (continued)

(b) Credit risk:

Credit risk is the risk of suffering financial loss, should any of the Bank's customers, clients or market counterparties fail to fulfil their contractual obligations to the Bank. Credit risk arises mainly from interbank, commercial and consumer loans and advances, and loan commitments arising from such lending activities, financial guarantees, letters of credit, endorsements and acceptances. The Bank is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities ('trading exposures') including non-equity trading portfolio assets and derivatives as well as settlement balances with market counterparties and reverse repurchase agreements.

Credit risk is the single largest risk for the Bank's business; management therefore carefully manages its exposure to credit risk. The credit risk management and control are centralised in the credit risk and treasury management teams which reports regularly to the appropriate board committees.

Credit risk measurement

(i) Loans (including loan commitments and guarantees)

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Bank measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9.

Credit risk grading

The Bank uses internal credit risk gradings that reflect its assessment of the credit-worthiness of individual borrowers. Borrower and loan specific information collected at the time of application (such as age, total debt service ratio, type of employment, net worth and level of collateral for retail exposures; turnover and industry type for wholesale exposures) is fed into this rating model. This is supplemented with external data such as credit bureau scoring information on individual borrowers. In addition, the models enable expert judgement from management to be fed into the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model.

The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade.

33. Financial risk management (continued)

(b) Credit risk (continued):

Credit risk measurement (continued)

(i) Loans (including loan commitments and guarantees) (continued)

Credit risk grading (continued)

The below table reflects the Bank's internal rating classification:

Credit classification	Credit score	Credit risk rating at origination
Excellent	789 - 866	R1
Good	712 - 788	R2
Average	634 - 711	R3
Acceptable	557 - 633	R4
Marginal	479 - 556	R5
Potential problem	401 - 478	R6
Substandard	324 - 400	R7
NPL doubtful	246 - 323	R8

(ii) Investments

For debt securities in the Treasury portfolio, external rating agency (Moody's) credit grades are used.

These published grades are continuously monitored and updated. The PDs associated with each grade are determined based on realised default rates over the prior 12 months, as published by the rating agency.

The Bank's rating method comprises 25 rating levels for instruments not in default (1 to 25) and five default classes (26 to 30). The master scale assigns each rating category a specified range of probabilities of default, which is stable over time. The rating methods are subject to an annual validation and recalibration so that they reflect the latest projections in the light of all actually observed defaults.

The Bank's internal rating scale and mapping of external ratings are set out below:

Company rating	PD range as percentage	S & P	Moody's	Description of the grade
1	0	AAA	Aaa	
2	0 - 0.02			
3	0.02 - 0.03	AA+	Aa1	
4	0.03 - 0.05	AA, AA-	Aa2, Aa1	
5	0.05 - 0.08	A+, A	A1, A2	
6	0.08 - 0.13	A-	A3	Investment grade
7	0.13 - 0.21	BBB+	Baa1	
8	0.21 - 0.31	BBB	Baa2	
9	0.31 - 0.47			
10	0.47 - 0.68	BBB-	Baa3	

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Notes to the Financial Statements (Continued)
March 31, 2019

33. Financial risk management (continued)

(b) Credit risk (continued):

Credit risk measurement (continued)

(ii) Investments (continued)

The Bank's internal rating scale and mapping of external ratings are set out below (continued):

Company rating	PD range as percentage	S & P	Moody's	Description of the grade
11	0.68 - 0.96	BB+	Ba1	Speculative grade
12	0.96 - 1.34	BB	Ba2	
13	1.34 - 1.81			
14	1.81 - 2.4	BB-	Ba3	
15	2.4 - 3.1	B+	B1	
16	3.1 - 3.9			
17	3.9 - 4.86	B	B2	
18	4.86 - 6.04			
19	6.04 - 7.52			
20	7.52 - 9.35	B-	B3	
21	9.35 - 11.64			
22	11.64 - 14.48	CCC+	Caa1	
23	14.48 - 18.01			
24	18.01 - 22.41	CCC to CC-	Caa2 to Ca	
25	22.41 - 99.99			

Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Bank.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information. Note 39(e)[vi] includes an explanation of how the Bank has incorporated this in its ECL models.

33. Financial risk management (continued)

(b) Credit risk (continued):

Expected credit loss measurement (continued)

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below (continued):

- Purchased or originated credit-impaired financial assets are those financial assets that are credit- impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

The key judgements and assumptions adopted by the Bank in addressing the requirements of the standard are discussed below:

Significant increase in credit risk (SICR)

The Bank considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

- In short-term forbearance
- Direct debit cancellation
- Extension to the terms granted
- Previous arrears within the last [12] months

(i) Quantitative criteria:

Loans

The Bank has concluded that delinquency status is the most reliable and appropriate measure as it has not utilised PDs throughout the history of operations. As the Caribbean region has not yet adopted Basel III guidelines, development of PDs has not been required.

Investments

The external credit rating grades are used as a basis for the assessment of increases in credit risk. Movements within investment grade are not construed as significant increases in credit risk; however, exceptional conditions may be taken into consideration. The number of notches required to trigger a migration to Stage 2 will be two notches.

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Notes to the Financial Statements (Continued)
March 31, 2019

33. Financial risk management (continued)

(b) Credit risk (continued):

Expected credit loss measurement (continued)

(i) Qualitative criteria (continued):

For Corporate and Sovereign portfolios, if the borrower is on the Watchlist and/or the instrument meets one or more of the following criteria:

- Significant increase in credit spread;
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates;
- Actual or expected forbearance or restructuring;
- Actual or expected significant adverse change in operating results of the borrower;
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default;
- Early signs of cashflow/liquidity problems such as delay in servicing of trade creditors/loans.

The assessment of SICR incorporates forward-looking information and is performed on an annual basis at a portfolio level for all financial instruments held by the Bank. In relation to Corporate and Sovereign financial instruments, where a Watchlist is used to monitor credit risk, this assessment is performed at the counterparty level and on a periodic basis. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the Credit Risk team.

Backstop

A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

The Bank has used the low credit risk exemption for Intercompany exposures in the year ended March 31, 2019.

(ii) Definition of default and credit-impaired assets:

The Bank defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

The borrower is more than 90 days past due on its contractual payments.

33. Financial risk management (continued)

(b) Credit risk (continued):

Expected credit loss measurement (continued)

(ii) Definition of default and credit-impaired assets (continued):

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is in long-term forbearance;
- The borrower is deceased;
- The borrower is insolvent;
- The borrower is in breach of financial covenant(s);
- An active market for that financial asset has disappeared because of financial difficulties;
- Concessions have been made by the lender relating to the borrower's financial difficulty;
- It is becoming probable that the borrower will enter bankruptcy;
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by the Bank and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Bank's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of three (3) months. This period of three months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

33. Financial risk management (continued)

(b) Credit risk (continued):

Expected credit loss measurement (continued)

(iii) Measuring ECL - Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per “Definition of default and credit-impaired” above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

- EAD is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Bank includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

  Loss Given Default (LGD) represents the Bank’s expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD).

- The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

  The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

  The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

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Notes to the Financial Statements (Continued)
March 31, 2019

33. Financial risk management (continued)

(b) Credit risk (continued):

Expected credit loss measurement (continued)

(iii) Measuring ECL - Explanation of inputs, assumptions and estimation techniques (continued)

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis.

- For revolving products, the exposure at default is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Bank's recent default data.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.

- For unsecured products, LGD's are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type.

The assumptions underlying the ECL calculation - such as how the underwriting terms, performance of the portfolio and changes in market conditions are monitored and reviewed on an annual basis.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

(iv) Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

33. Financial risk management (continued)

(b) Credit risk (continued):

Expected credit loss measurement (continued)

(iv) Forward-looking information incorporated in the ECL models (continued)

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are provided by the Group's Business Advisory Service team on a quarterly basis and provide the best estimate view of the economy over the next five years. After five years, to project the economic variables out for the full remaining lifetime of each instrument, a mean reversion approach has been used, which means that economic variables tend to either a long run average rate (e.g. for unemployment) or a long run average growth rate (e.g. GDP) over a period of two to five years. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

In addition to the base economic scenario, the Bank's Risk and Compliance Unit also provide other possible scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date.

The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The assessment of SICR is performed using the Lifetime PD under each of the base, and the other scenarios, multiplied by the associated scenario weighting, along with qualitative and backstop indicators. This determines whether the whole financial instrument is in Stage 1, Stage 2, Stage 3 and hence whether 12-month or lifetime ECL should be recorded. Following this assessment, the Bank measures ECL as either a probability weighted 12 month ECL (Stage 1), a probability weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs). As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Bank considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Bank's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios

Economic variable assumptions

The most significant period-end assumptions used for the ECL estimate as at March 31, 2019 are set out below. The scenarios "base", "upside" and "downside" were used for all portfolios.

33. Financial risk management (continued)

(b) Credit risk (continued):

Expected credit loss measurement (continued)

(iv) Forward-looking information incorporated in the ECL models (continued)

The weightings assigned to each economic scenario at March 31, 2019 were as follows:

	Base	Upside	Downside
All portfolios	75%	15%	10%

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This will be reviewed and monitored for appropriateness on a quarterly basis.

(v) Grouping of instruments for losses measured on a collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. In performing this grouping, there must be sufficient information for the group to be statistically credible. Where sufficient information is not available internally, the Bank has considered benchmarking internal/external supplementary data to use for modelling purposes. The characteristics and any supplementary data used to determine groupings are outlined below:

The appropriateness of groupings is monitored and reviewed on a periodic basis by the Credit Risk management team.

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

The Bank 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);

(iii) loans are not concentrated in one individual, company or group; and

(iv) strong underwriting and credit administration systems are in place.

33. Financial risk management (continued)

(b) Credit risk (continued):

Expected credit loss measurement (continued)

(v) Grouping of instruments for losses measured on a collective basis (continued)

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 customers 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 Bank'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 Bank 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, 2019, the outstanding principal balances on loans that were restructured amounted to $2,241,570,000 (2018: $3,271,699,000).

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.

33. Financial risk management (continued)

(b) Credit risk (continued):

Expected credit loss measurement (continued)

(v) Grouping of instruments for losses measured on a collective basis (continued)

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 Bank has established an allowance for impairment losses that represents its estimate of incurred losses on loans and receivables. 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 Bank 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 Bank 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 Bank 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 Bank'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.

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Notes to the Financial Statements (Continued)
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33. Financial risk management (continued)

(b) Credit risk (continued):

Expected credit loss measurement (continued)

(v) Grouping of instruments for losses measured on a collective basis (continued)

Concentration by class and geographical area (continued)

The Bank'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:

	2019 $'000	2018 $'000
Jamaica	147,603,410	135,969,093
United States of America	9,636,589	7,877,194
United Kingdom	5,656,424	11,433,833
Canada	900,318	1,194,471
Cayman Islands	195,984	322,377
Barbados	-	109,517
Bahamas	460,883	259,485
Trinidad & Tobago	373,253	382,400
Dominican Republic	633,244	1,510,684
	165,460,105	159,059,054

Credit quality of loans

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

	2019 $'000	2018 $'000
Neither past due nor impaired	77,039,129	62,557,311
Past due but not impaired:		
Below 30 days	4,087,432	9,247,905
30 to 60 days	4,788,190	4,112,493
60 to 90 days	335,555	1,519,399
Individually impaired:		
90-180 days	1,039,089	1,130,850
180-365 days	1,192,639	499,914
12-18 months	693,023	209,578
18 months and over	1,301,632	668,283
Less allowance for losses (note 11)	(898,804)	(975,698)
	89,577,885	78,970,035

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Notes to the Financial Statements (Continued)
March 31, 2019

33. Financial risk management (continued)

(b) Credit risk (continued):

Expected credit loss measurement (continued)

(v) Grouping of instruments for losses measured on a collective basis (continued)

Exposure to credit risk

Credit risk exposure is the amount of loss that the Bank would suffer if all counterparties to which 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.

The maximum exposure to credit risk is represented by the amount of financial assets in the statement of financial position, including off balance sheet assets and unused credit limits.

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Bank's maximum exposure to credit risk on these assets.

	Loans				
	2019				2018
	Stage 1 12-month $'000	Stage 2 Lifetime $'000	Stage 3 Lifetime $'000	Total $'000	Total $'000
Credit grade					
Investment grade	-	-	-	-	-
Standard monitoring	81,558,690	-	-	81,558,690	70,471,204
Special monitoring	-	11,381,369	-	11,381,369	12,041,493
Default	-	-	3,243,114	3,243,114	2,551,954
Gross carrying amount	81,558,690	11,381,369	3,243,114	96,183,173	85,064,651
Loss allowance	(481,327)	(203,507)	(213,970)	(898,804)	(975,698)
Carrying amount	81,077,363	11,177,862	3,029,144	95,284,369	84,088,953

	2019				2018
	Stage 1 12-month $'000	Stage 2 Lifetime $'000	Stage 3 Lifetime $'000	Total $'000	Total $'000
Ageing of loans receivable					
Current	71,053,409	4,377,192	73,283	75,503,884	66,783,271
Past due 1-30 days	6,641,350	1,987,970	886	8,630,206	7,179,528
Past due 31-60 days	44,520	3,488,446	2,039	3,535,005	4,163,909
Past due 61-89 days	9,048	1,486,842	1,325	1,497,215	1,497,901
90 days and over	3,519	40,918	3,165,582	3,210,019	2,529,453
Gross carrying amount	77,751,846	11,381,368	3,243,115	92,376,329	82,154,062
Loss allowance	(481,327)	(203,507)	(213,970)	(898,804)	(975,698)
	77,270,519	11,177,861	3,029,145	91,477,525	81,178,364
Loan commitments	3,815,818	-	-	3,815,818	2,917,244
Loss allowance	(8,974)	-	-	(8,974)	(6,655)
	3,806,844	-	-	3,806,844	2,910,589
Net carrying amount	81,077,363	11,177,861	3,029,145	95,284,369	84,088,953

JN BANK LIMITED

Notes to the Financial Statements (Continued)
March 31, 2019

33. Financial risk management (continued)

(b) Credit risk (continued):

Expected credit loss measurement (continued)

(v) Grouping of instruments for losses measured on a collective basis (continued)

Exposure to credit risk (continued)

Information on how the Expected Credit Loss (ECL) is measured and how the three stages above are determined is included in note 33(b) (iii) 'Expected credit loss measurement'.

The Maximum exposure to credit risk, financial instruments not subject to impairment is the carrying amount of the financial assets classified as FVPL (see note 8).

Collateral and other credit enhancements held against financial assets

The Bank 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 Bank include an insurance policy, properties, motor vehicles, personal or corporate guarantees to secure loans.

The Bank'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:

	Loans and advances		Securities purchased under resale agreements	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Against neither past due nor impaired financial assets:				
Properties	183,716,415	169,434,120	-	-
Debt securities	-	-	2,620,890	1,137,264
Liens on motor vehicles	2,904,878	2,126,362	-	-
Hypothecation of deposits	880,111	1,004,514	-	-
Subtotal	187,501,404	172,564,996	2,620,890	1,137,264
Against past due but not impaired financial assets:				
Properties	38,989,727	43,313,609	-	-
Liens on motor vehicles	139,469	-	-	-
Subtotal	39,129,196	43,313,609	-	-
Balance carried forward	226,630,600	215,878,605	2,620,890	1,137,264

JN BANK LIMITED

Notes to the Financial Statements (Continued)
March 31, 2019

33. Financial risk management (continued)

(b) Credit risk (continued):

Expected credit loss measurement (continued)

(v) Grouping of instruments for losses measured on a collective basis (continued)

Collateral and other credit enhancements held against financial assets (continued)

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

	Loans and advances		Securities purchased under resale agreements	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Balance carried forward	226,630,600	215,878,605	2,620,890	1,137,264
Against past due and impaired financial assets:				
Properties	9,655,588	8,744,158	-	-
Hypothecation of deposits	1,876,091	406,712	-	-
Liens on motor vehicles	112,665	-	-	-
Subtotal	11,644,344	9,150,870	-	-
Grand total	238,274,944	225,029,475	2,620,890	1,137,264

The Bank employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Bank has internal policies on the acceptability of specific classes of collateral or credit risk mitigation.

The Bank prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Charges over business assets such as premises, inventory and accounts receivable; and
- Charges over financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

The Bank's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Bank since the prior period.

33. Financial risk management (continued)

(b) Credit risk (continued):

Expected credit loss measurement (continued)

(v) Grouping of instruments for losses measured on a collective basis (continued)

Collateral and other credit enhancements held against financial assets (continued)

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

	Gross exposure $'000	Impairment allowance $'000	Carrying amount $'000	Fair value of collateral held $'000
Credit-impaired assets				
Loans to individuals:				
Credit cards	102,280	(30,628)	71,652	-
Term loans	312,538	(57,954)	254,584	75,980
Mortgages	2,826,609	(205,974)	2,620,635	9,541,592
Loans to corporate entities	1,677	(327)	1,350	-
Total credit-impaired assets	3,243,104	(294,883)	2,948,221	9,617,572

Loss allowance

Loss allowance recognised in profit or loss during the period is summarised below:

	$'000
Loans (note 11)	163,285
Investment securities – at amortised cost	(1,336)
Investment securities – at FVOCI	18,596
	180,545

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increasess (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;

- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised in the period;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

JN BANK LIMITED

Notes to the Financial Statements (Continued)
March 31, 2019

33. Financial risk management (continued)

(b) Credit risk (continued):

Expected credit loss measurement (continued)

(v) Grouping of instruments for losses measured on a collective basis (continued)

Loss allowance (continued)

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

Loans	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Loss allowance as at April 1, 2018	340,416	202,521	555,305	1,098,242
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(11,571)	44,438	-	32,867
Transfer from Stage 1 to Stage 3	(2,805)	-	60,326	57,521
Transfer from Stage 2 to Stage 1	14,615	(54,287)	-	(39,672)
Transfer from Stage 2 to Stage 3	-	(21,467)	102,147	80,680
Transfer from Stage 3 to Stage 2	-	9,423	(57,269)	(47,846)
New financial assets originated or purchasesd	166,422	40,256	18,981	225,659
Financial assets derecognised during the period	(25,750)	(17,377)	(102,797)	(145,924)
Loss allowance recognised in profit or loss	140,911	986	21,388	163,285
Other movements:				
Write-offs against provision	-	-	(362,723)	(362,723)
Loss allowance as at March 31, 2019	481,327	203,507	213,970	898,804

Significant changes in the gross carrying amount of financial assets that contributed to changes in the loss allowance were as follows:

- The high volume of new loans originated during the period, aligned with the Bank's strategy.
-

Significant changes in the gross carrying amount of financial assets that contributed to changes in the loss allowance were as follows (continued):

- The write-off of loans with a total gross carrying amount of $362,723,000 resulted in the reduction of the Stage 3 loss allowance by the same amount.

JN BANK LIMITED

Notes to the Financial Statements (Continued)
March 31, 2019

33. Financial risk management (continued)

(b) Credit risk (continued):

Expected credit loss measurement (continued)

(v) Grouping of instruments for losses measured on a collective basis (continued)

Loss allowance (continued)

The following table further explains changes in the gross carrying amount of the loan portfolio to help explain their significance to the changes in the loss allowance for the same portfolio as discussed above:

	Stage 1	Stage 2	Stage 3	
Loans	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	$000	$000	$000	$000
Gross carrying amount as at April 1, 2018	70,471,204	12,041,493	2,551,954	85,064,651
Transfers:				
Transfer from Stage 1 to Stage 2	(1,968,841)	1,907,574	-	(61,267)
Transfer from Stage 1 to Stage 3	(536,540)		525,493	(11,047)
Transfer from Stage 2 to Stage 3	-	(1,387,717)	1,335,134	(52,583)
Transfer from Stage 3 to Stage 2	-	639,430	(730,980)	(91,550)
Transfer from Stage 2 to Stage 1	3,200,829	(2,801,307)	-	399,522
New financial assets originated or purchasesd	18,708,221	2,172,800	516,350	21,397,371
Financial assets derecognised during the period other than write-offs	(8,316,183)	(1,190,904)	(592,114)	(10,099,201)
	11,087,486	(660,124)	1,053,883	11,481,245
Other movements:				
Write-offs against provision	-	-	(362,723)	(362,723)
Gross carrying amount as at March 31, 2019	81,558,690	11,381,369	3,243,114	96,183,173

The total amount of undiscounted expected credit losses at initial recognition for purchased or originated credit-impaired financial assets recognised during the period was $Nil.

Investments

At March 31, 2019, the bank had investments and securities purchased under resale agreement at,

(i) Fair value through Other Comprehensive Income (FVOCI) of $41,250,834,000 (see note 8) divided between Investment grade of $4,602,344,000 and Speculative grade of $36,648,490,000 and ECL provision of $119,533,000 [see note 33(b)].

33. Financial risk management (continued)

(b) Credit risk (continued):

Expected credit loss measurement (continued)

(v) Grouping of instruments for losses measured on a collective basis (continued)

(ii) Investments measured at amortised cost of $2,299,632,000 and $8,482,676,000 (see notes 7 and 8) respectively. Both had a Speculative grading and ECL provision of $19,080,000 [see note 33(b)].

Write-off policy

The Bank writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Bank's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Bank may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended March 31, 2019 was $213,161,000. The Bank still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

(c) Liquidity risk:

Liquidity risk is the potential for loss to the Bank 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 Bank 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 Bank'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 Bank are as follows:

	Requirement		**Actual**	
	2019	2018	2019	2018
	%	%	%	%
Jamaica Dollar	23	26	28	29
United States of America Dollar	29	29	33	49
Canadian Dollar	29	29	74	84
Pound Sterling	29	29	36	42

JN BANK LIMITED

Notes to the Financial Statements (Continued)
March 31, 2019

33. Financial risk management (continued)

(c) Liquidity risk (continued):

Management of liquidity risk (continued)

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 Bank'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 Bank does not expect that all its customers will demand the payment of funds at the earliest date possible.

	2019						
		Contractual undiscounted cash flows					
	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
Due to specialised financial institutions	18,614,327	31,342,632	247	2,388	20,720	35,818	31,283,458
Customer deposits	127,460,523	129,466,572	113,468,980	12,480,311	1,948,345	1,568,938	-
Securities sold under repurchase agreements	3,317,838	3,351,978	2,728,410	608,388	15,181	-	-
Other payables	1,636,681	1,636,681	1,636,681	-	-	-	-
Margin loan payable	898,159	903,548	903,548	-	-	-	-
	151,927,528	166,701,411	118,737,866	13,091,087	1,984,246	1,604,756	31,283,458
Unrecognised loan commitments	-	8,028,457	8,028,457	-	-	-	-
	151,927,528	174,729,868	126,766,323	13,091,087	1,984,246	1,604,756	31,283,458

	2018						
		Contractual undiscounted cash flows					
	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
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	-
Other payables	1,546,444	1,546,444	1,546,444	-	-	-	-
Margin loan payable	2,506,396	2,506,396	2,506,396	-	-	-	-
	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

33. 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 Bank's assets, the amount of its liabilities and/or the Bank's income. Market risk arises in the Bank's due to fluctuations in the value of liabilities and the value of investments held. The Bank's 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 Bank 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 Bank's 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 Bank 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 Bank's business, which involves granting long-term loans (up to 30 years) funded by savings which are withdrawable on demand or at short notice. The Bank 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 Bank 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 Bank 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.

JN BANK LIMITED

Notes to the Financial Statements (Continued)
March 31, 2019

33. Financial risk management (continued)

(d) Market risk (continued):

(i) Interest rate risk (continued):

	2019						
	Immediately rate sensitive	Within 3 months	Three to 12 months	Over 1 year	Non-rate sensitive	Total	Weighted average interest rate
	$'000	$'000	$'000	$'000	$'000	$'000	%
Assets							
Cash and cash equivalents	2,542,113	-	-	-	20,251,063	22,793,176	0.14
Securities purchased under resale agreements	-	2,299,632	-	-	-	2,299,632	2.10
Investments	-	8,789,966	5,648,321	35,051,561	666,303	50,156,151	4.5
Loans	-	89,171,166	-	-	406,719	89,577,885	8.8
Other assets	-	-	-	-	660,691	660,691	-
Total financial assets	2,542,113	100,260,764	5,648,321	35,051,561	21,984,776	165,487,535	
Liabilities							
Due to specialised financial institutions	-	18,614,327	-	-	-	18,614,327	4.18
Customer deposits	89,313,583	23,168,342	12,386,483	1,076,996	1,515,119	127,460,523	1.00
Securities sold under repurchase agreements	-	2,708,099	595,000	-	14,739	3,317,838	3.00
Other payables	-		-	-	1,636,682	1,636,682	-
Margin loan payable	-	898,159	-	-	-	898,159	3.40
Total financial liabilities	89,313,583	45,388,927	12,981,483	1,076,996	3,166,540	151,927,529	
On statement of financial position gap, being total interest rate sensitivity gap	(86,771,470)	54,871,837	(7,333,162)	33,974,565	18,818,236	13,560,006	
Cumulative gap	(86,771,470)	(31,899,633)	(39,232,795)	(5,258,230)	13,560,006	-	

	2018						
	Immediately rate sensitive	Within 3 months	Three to 12 months	Over 1 year	Non-rate sensitive	Total	Weighted average interest rate
	$'000	$'000	$'000	$'000	$'000	$'000	%
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	-	

33. 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 Bank'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	100 basis points	100 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.

	2019		2018	
	Increase	Decrease	Increase	Decrease
	$'000	$'000	$'000	$'000
Other comprehensive income	(1,831,974)	2,277,983	(752,645)	1,044,936
Profit	-	-	-	-

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 2018.

	Effect on profit	
	Increase	Decrease
	$'000	$'000
March 31, 2019		
Variable rate instruments	59,378	(59,378)
March 31, 2018		
Variable rate instruments	80,641	(80,641)

33. Financial risk management (continued)

(d) Market risk (continued):

Management of market risk (continued)

(ii) Equity price risk

Equity price risk arises from equity instruments measured at FVOCI held by the Bank 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 Bank's investment strategy is to maximise risk-adjusted investment returns.

A 10% (2018: 15%) 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 Bank of $14,559,000 (2018: $23,021,000).

(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 Bank 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 Bank 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:

	2019 $'000	2018 $'000
United States dollars	55,249	15,687
Canadian dollars	(6,450)	(965)
Pound sterling	(39,039)	1,822
Euro	292	213
Cayman dollars	1,710	2,224

The Bank of Jamaica's weighted average exchange rates ruling at the year-end are shown at note 39(q)(i).

JN BANK LIMITED

Notes to the Financial Statements (Continued)
March 31, 2019

33. Financial risk management (continued)

(d) Market risk (continued):

Management of market risk (continued)

(iii) Foreign currency risk (continued):

Sensitivity analysis:

A 6 % (2018: 4%) weakening of the Jamaica dollar against the various currencies at March 31 would have increased operating surplus by the amounts shown. A 4% (2018: 2%) 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 2018.

	2019 $'000		2018 $'000	
	6%	4%	4%	2%
United States dollars	44,433	(276,289)	78,638	(39,319)
Canadian dollars	(35,983)	23,989	(3,730)	1,865
Pounds sterling	(385,453)	256,969	12,883	(6,442)
Euro	2,420	(1,613)	1,318	(659)
Cayman dollars	15,777	(10,518)	13,629	(6,815)

(e) Operational risk:

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank'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 Bank's objective is to manage operational risk to achieve the optimal balance between the Bank'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 Bank's Risk and Compliance Unit centrally and in daily operations through the senior management team.

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

33. Financial risk management (continued)

(e) Operational risk (continued):

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 Bank's 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.

(f) Capital management:

Regulatory capital

The Bank's main regulator is the Bank of Jamaica, which monitors the capital requirements. The Bank'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 Bank. This is supported by the annual Bank 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, 2019 was 14% (2018: 18%).

JN BANK LIMITED

Notes to the Financial Statements (Continued)
March 31, 2019

34. 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 Bank determines fair values using other valuation techniques as detailed in note [39(e)(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:

The following table shows the carrying amounts (excluding interest receivable) and fair values of financial assets and liabilities, including their levels in the fair value hierarchy. The carrying amounts of financial assets and liabilities not measured at fair value are a reasonable approximation of their fair values. Where the carrying amounts of financial assets and financial liabilities are measured at fair value, their levels in the fair value hierarchy are also shown. Where the carrying amounts of financial assets and financial liabilities are not measured at fair value, and those carrying amounts are a reasonable approximation of fair value, fair value information (including amounts, and levels in the fair value hierarchy) is not disclosed.

The Bank has no financial assets or financial liabilities measured at fair value.

34. Fair value of financial instruments (continued)

(a) Accounting classifications and fair values (continued):

	2019							
	Carrying amount				Fair value			
	Amortised cost previously Loans and receivables $'000	Fair value through through other comprehensive income previously 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	-	8,104,863	-	8,104,863	-	8,104,863	-	8,104,863
Government of Jamaica securities	-	24,240,846	-	24,240,846	-	24,240,846	-	24,240,846
Treasury bills	-	8,651,201	-	8,651,201	-	8,651,201	-	8,651,201
Quoted equities	-	145,586	-	145,586	145,586	-	-	145,586
Unquoted equities	-	29,353	-	29,353	-	29,353	-	29,353
	-	41,171,849	-	41,171,849	145,586	41,026,263	-	41,171,849
Financial assets not measured at fair value:								
Cash and cash equivalents	22,793,176	-	-	22,793,176				
Securities purchased under resale agreements	2,299,632	-	-	2,299,632				
Due from related entities	916,705	-	-	916,705				
Corporate bonds	1,084,136	-	-	1,084,136				
Certificates of deposit	7,348,540	-	-	7,348,540				
Loans	89,577,885	-	-	89,577,885				
Other assets	660,691	-	-	660,691				
Promissory note	50,000	-	-	50,000				
	124,730,765	-	-	124,730,765				
Financial liabilities not measured at fair value:								
Due to specialised financial institutions	-	-	18,614,327	18,614,327				
Customer deposits	-	-	127,460,523	127,460,523				
Securities sold under repurchase agreements	-	-	3,317,838	3,317,838				
Other payables	-	-	1,636,682	1,636,682				
Margin loan payable	-	-	898,159	898,159				
	-	-	151,927,529	151,927,529				

34. Fair value of financial instruments (continued)

(a) Accounting classifications and fair values (continued):

	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	-	12,050,547	-	12,050,547	-	12,050,547	-	12,050,547
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
	-	37,163,030	-	37,163,030	153,474	37,009,556	-	37,163,030
Financial assets not measured at fair value:								
Cash and cash equivalents	26,602,881	-	-	26,602,881				
Securities purchased under resale agreements	922,137	-	-	922,137				
Corporate bonds	738,814	-	-	738,814				
Certificates of deposit	13,491,529	-	-	13,491,529				
Loans	78,970,035	-	-	78,970,035				
Other assets	395,212	-	-	395,212				
Promissory note	30,000	-	-	30,000				
Due from related entities	1,587,054	-	-	1,587,054				
	122,737,662	-	-	122,737,662				
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				
Securities sold under repurchase agreements	-	-	8,735,145	8,735,145				
Other payables	-	-	1,546,444	1,546,444				
Margin loan payable	-	-	2,506,396	2,506,396				
	-	-	146,059,462	146,059,462				

34. Fair value of financial instruments (continued)

(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 sovereigns and corporate bonds	• Obtain bid price provided by a recognised 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.
Quoted equities	• Calculated using closing bid price published by the respective stock exchange.
Foreign exchange forward contracts	• Obtain forward foreign exchange rates • Apply rates to estimate fair value.

There are no significant unobservable inputs in computing the fair values.

35. Commitments

At March 31, 2019, the Bank had:

(a) Unexpired lease commitments payable as follows:

	2019 $'000	2018 $'000
Within one year	82,572	60,865
Subsequent years	119,426	86,800
	201,998	147,665

Included in the unexpired lease commitments are amounts due to related entities totaling $66,414,000 (2018: $46,202,000).

(b) Undisbursed approved loans amounting to approximately $8,028,457,000 (2018: $6,516,113,000).

(c) Capital commitments:

Commitments for capital expenditure amounted to $22,361,725 (2018: $21,147,000) as at the reporting date.

(d) Sponsorship commitments:

Commitments for sponsorship expenditures amounted to $97,000,000 (2018: $40,000,000).

36. Contingent liabilities

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

37. Distribution to equity shareholders

	2019 $'000	2018 $'000
Dividends	240,000	832,000

At the Board of Directors' meeting held on September 28, 2018 (2018: September 11, 2017, January 10, 2018 and December 31, 2018) the directors declared total interim dividends of $240,000,000 (2018: $832,000,000).

38. Changes in accounting policies

Except for the changes below, the Bank has consistently applied the accounting policies set out in note 39 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 Bank has assessed them and has adopted those which are relevant to the financial statements.

The Bank has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of April 1, 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Bank did not early adopt any of IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Bank elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period.

Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 *Financial Instruments: Disclosures*.

38. Changes in accounting policies (continued)

New, revised and amended standards and interpretations that became effective during the year (continued)

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Bank. Further details of the specific IFRS 9 accounting policies applied in the current period (as well as the previous IAS 39 accounting policies applied in the comparative period) are described in more detail below.

(a) Classification and measurement of financial instruments

Accounting policy after April 1, 2018 Under IFRS 9

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at April 1, 2018 are compared as follows:

	IAS 39		IFRS 9	
	Measurement category	Carrying amount	Measurement category	Carrying amount
Financial assets		$000		$000
Cash and cash equivalents	Loans and receivables	26,602,881	Amortised cost	26,602,881
Securities purchased under resale agreements		922,137		920,737
Investments				
Corporate bonds		738,814		733,882
Certificates of deposit		13,491,529		13,475,237
Promissory note		30,000		30,000
Investments				
Corporate bonds		12,050,547		12,023,657
Government of Jamaica securities		22,925,637	Fair value through other comprehensive income	22,855,720
Treasury bills		2,004,019		2,002,098
Quoted equities		153,474		153,474
Unquoted equities	Available-for-sale	29,353		29,353
Due from related entities	Loans and receivables	1,587,054	Amortised cost	1,587,054
Loans, after allowance for impairment losses		78,970,035		78,847,491
Other assets		395,212		395,212
		159,900,692		159,656,796
Financial liabilities				
Due to specialised financial institutions	Other liabilities	17,398,102	Amortised cost	17,398,102
Customer deposits		115,873,375		115,873,375
Securities sold under repurchase agreements		8,735,145		8,735,145
Other payables		1,546,444		1,546,444
Margin loan payable		2,506,396		2,506,396
		146,059,462		146,059,462

There were no changes to the classification and measurement of financial liabilities.

38. Changes in accounting policies (continued)

New, revised and amended standards and interpretations that became effective during the year (continued)

(a) Classification and measurement of financial instruments (continued)

The following explains how applying the new classification requirements of IFRS 9 led to changes in classification of certain financial assets held by the Bank as shown in the table above:

(i) Designation of equity instruments at FVOCI

The Bank has elected to irrevocably designate strategic investments of $153,474,000 in a portfolio of non-trading equity securities in clearing houses and exchanges at FVOCI as permitted under IFRS 9. These securities were previously classified as available-for-sale.

The changes in fair value of such securities will no longer be reclassified to profit or loss when they are disposed of.

(ii) Reclassification from retired categories with no change in measurement

The following debt instruments have been reclassified to new categories under IFRS 9, as their previous categories under IAS 39 were ‘retired’, with no changes to their measurement basis. Those previously classified as available for sale are now classified as measured at FVOCI.

No financial assets and liabilities previously carried at fair value have been reclassified to the amortised cost category.

(b) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

The Bank performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics.

Please refer to note 38(a) for additional information regarding the new classification requirements of IFRS 9.

38. Changes in accounting policies (continued)

New, revised and amended standards and interpretations that became effective during the year (continued)

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

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on April 1, 2018:

	IAS 39 carrying amount March 31, 2018	Remeasurements	IFRS 9 carrying amount April 1, 2018
	$'000	$'000	$'000
Amortised Cost			
Cash and cash equivalents	26,602,881	-	26,602,881
Securities purchased under resale agreements	922,137	(1,400)	920,737
Investments			
Corporate bonds	738,814	(4,932)	733,882
Certificates of deposit	13,491,529	(16,292)	13,475,237
Promissory note	30,000	-	30,000
Corporate bonds	12,050,547	(26,890)	12,023,657
Government of Jamaica securities	22,925,637	(69,917)	22,855,720
Treasury bills	2,004,019	(1,921)	2,002,098
Quoted equities	153,474	-	153,474
Unquoted equities	29,353	-	29,353
Due from related entities	1,587,054	-	1,587,054
Loans, after allowance for impairment losses	78,970,035	(122,544)	78,847,491
Other assets	395,212	-	395,212
	159,900,692	(243,896)	159,656,796

The following table reconciles the prior period's closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected credit loss model at April 1, 2018:

Measurement category	Loan loss allowance under IAS 39	Remeasurements	Loan loss allowance under IFRS 9
	$'000	$'000	$'000
Loans and receivables (IAS 39)/Financial assets at amortised cost (IFRS 9)			
Loans	975,698	122,544	1,098,242
Total	975,698	122,544	1,098,242
Available for sale financial instruments (IAS 39)/Financial assets at FVOCI (IFRS 9)			
Total	977,662	221,517	1,199,179

Further information on the measurement of the impairment allowance under IFRS 9 can be found in note 33.

38. Changes in accounting policies (continued)

New, revised and amended standards and interpretations that became effective during the year (continued)

(c) Changes in accounting policies

	Other reserves $'000	Retained earnings $'000
Closing equity components at March 31, 2018-IAS 39	4,108,252	2,403,581
IFRS 9 Impact –		
Increase in provision for debt securities at amortised cost	-	(22,380)
Increase in provision for debt securities at FVOCI	98,973	(98,973)
Deferred tax on ECL on loans at transition (note 17)	-	40,848
Deferred tax on securities measured at FVOCI (note 17)	-	7,460
Increase in provision for loans (note 11)	-	(122,544)
Adjustment to equity from adoption of IFRS 9	98,973	(195,589)
Opening equity components at April 1, 2018 – IFRS 9	4,207,225	2,207,992

(d) Prior year adjustment

The Bank transferred its interest in subsidiary, JN Cayman Limited to its parent, JN Financial Group Limited, on March 28, 2018 and it no longer prepares consolidated financial statements. The Bank's interest in associate, JN Money Services Cayman Limited, previously recognised at cost, is now recognised under the equity method. The Statement of Financial Position, the Statements of Profit or Loss, Other Comprehensive Income and Cash Flows have been restated to give effect to the recognition of the Bank's 20% interest in associate, JN Money Services (Cayman) Limited, under the equity method.

(i) Effects on the Statement of Financial Position as at March 31, 2018:

	2018		
	As previously reported $'000	Effect of prior year restatement $'000	As restated $'000
ASSETS			
Interest in associate	123,012	58,282	181,294
EQUITY			
Retained earnings	2,345,299	58,282	2,403,581

(ii) Effects on the Statements of Profit or Loss and Other Comprehensive Income for the year ended March 31, 2018:

	As previously reported $'000	Effect of prior year restatement $'000	As restated $'000
Share of profit	-	58,282	58,282
Profit before taxation	1,155,405	58,282	1,213,687
Profit for the year	628,524	58,282	686,806
Total comprehensive income for the year	505,287	58,282	563,569

38. Changes in accounting policies (continued)

New, revised and amended standards and interpretations that became effective during the year (continued)

(d) Prior year adjustment (continued)

(iii) Effects on the Statement of Cash Flow for the year ended March 31, 2018:

	As previously reported $'000	Effect of prior year restatement $'000	As restated $'000
Cash flows from operating activities			
Profit for the year	628,524	58,282	686,806
Net cash (used in)/provided by operating activities	6,075,247	58,282	6,133,529
Cash flows from investing activities			
Interest in associate	33,829	(58,282)	(24,453)
Net cash provided by investing activities [see also note 3(e)]	(4,301,506)	(58,282)	(4,359,788)

(e) Other changes in accounting standards and interpretations

- IFRS 15 *Revenue from Contracts with Customers*

  IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations.

  The Bank initially applied IFRS 15 on April 1, 2018 retrospectively in accordance with IAS 8 without any practical expedients. The timing or amount of the Bank's fee and commission income from contracts with customers was not impacted by the adoption of IFRS 15. There were no material impact to the amounts recognised in the financial statements resulting from the new disclosure requirements [see note 39(u)].

- 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 Bank 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.

  The adoption of this amendment did not result in any change to amounts recognised, presented and disclosed in the financial statements.

38. Changes in accounting policies (continued)

New, revised and amended standards and interpretations that became effective during the year (continued)

(e) Other changes in accounting standards and interpretations (continued)

- Amendments to IAS 7 *Statement of Cash Flows,* 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.

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

- Amendments to IAS 12 *Income Taxes*, 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 changes to the presentation and disclosure in the financial statements.

39. Significant accounting policies

Except for the changes in note 38, the Bank has consistently applied the following accounting policies to all periods presented in these financial statements.

(a) Financial assets and liabilities

Policy applicable from April, 2018

Recognition and initial measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Bank commits to purchase or sell the asset.

At initial recognition, the Bank measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

39. Significant accounting policies (continued)

(a) Financial assets and liabilities (continued)

Policy applicable from April, 2018 (continued)

Recognition and initial measurement (continued)

Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

(b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Financial assets

Classification and subsequent measurement

From April 1, 2018, the Bank has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL);
- Fair value through other comprehensive income (FVOCI); or
- Amortised cost.

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds.

Classification and subsequent measurement of debt instruments depend on:

(i) the Bank's business model for managing the asset; and
(ii) the cash flow characteristics of the asset.

Based on these factors, the Bank classifies its debt instruments into one of the following three measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 33(b). Interest income from these financial assets is included in 'Interest revenue' using the effective interest rate method.

39. Significant accounting policies (continued)

(a) Financial assets and liabilities (continued)

Financial assets (continued)

Policy applicable from April 1, 2018 (continued)

Debt instruments (continued)

- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss.

  When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Net gains/(losses) on derecognition of financial assets measured at amortised cost'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within 'Net trading income' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Net gains/(losses) on derecognition of financial assets measured at amortised cost'. Interest income from these financial assets is included in 'Interest revenue using the effective interest rate method.

Business model: the business model reflects how the Bank manages the assets in order to generate cash flows. That is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Bank in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

For example, the Bank's business model for the mortgage loan book is to hold to collect contractual cash flows,. Another example is the liquidity portfolio of assets, which is held by the Bank as part of liquidity management and is generally classified within the hold to collect and sell business model. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

These securities are classified in the 'other' business model and measured at FVPL.

39. Significant accounting policies (continued)

(a) Financial assets and liabilities (continued)

Financial assets (continued)

Policy applicable from April 1, 2018 (continued)

Business model (continued):

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test').

In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Bank reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Bank subsequently measures all equity investments at fair value through profit or loss, except where the Bank's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Bank 's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Bank 's right to receive payments is established.

Gains and losses on equity investments at FVPL are included in the 'Other operating income' line in the statement of profit or loss.

39. Significant accounting policies (continued)

(a) Financial assets and liabilities (continued)

Financial assets (continued)

Policy applicable from April 1, 2018 (continued)

Measurement methods

Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired ('POCI') financial assets - assets that are credit-impaired at initial recognition - the Bank calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

When the Bank revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

The Bank assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments. The Bank recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

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

Note 33(b) provides more detail of how the expected credit loss allowance is measured.

39. Significant accounting policies (continued)

(a) Financial assets and liabilities (continued)

Financial assets (continued)

Policy applicable from April 1, 2018 (continued)

Modification of loans

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

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

If the terms are substantially different, the Bank derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Bank also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Bank transfers substantially all the risks and rewards of ownership, or (ii) the Bank neither transfers nor retains substantially all the risks and rewards of ownership and the Bank has not retained control.

39. Significant accounting policies (continued)

(a) Financial assets and liabilities (continued)

Policy applicable from April 1, 2018 (continued)

Derecognition other than on a modification (continued)

The Bank enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Bank:

(i) Has no obligation to make payments unless it collects equivalent amounts from the assets;

(ii) Is prohibited from selling or pledging the assets; andHas an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by the Bank under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Bank retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Bank retains a subordinated residual interest.

Financial liabilities

Policy applicable before April 1, 2018

(i) Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified as and subsequently measured at amortised cost.

(ii) Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Bank and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

39. Significant accounting policies (continued)

(a) Financial assets and liabilities (continued)

Financial guarantee contracts and loan commitments

Financial guarantee contracts require the issuer to make specified payments to reimburse the holder for losses incured because a specified debtor fails to make payments when due. This is in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

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

- The amount of the loss allowance (calculated as described in note 33); and

- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

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

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

(b) Interest in equity-accounted investee

The Bank's interests in equity-accounted investee comprise interests in associates.

Associates are those entities in which the Bank has significant influence, but not control or joint control, over the financial and operating policies. Interest in associate is accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the financial statements include the Bank'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 Bank's share of losses exceeds its interest in an associate, the Bank's carrying amount is reduced to $Nil and recognition of further losses is discontinued, except to the extent that the Bank has incurred legal or constructive obligations, or made payments on behalf of an associate. If the associate subsequently reports profits, the Bank resumes recognising its share of those profits only after its share of profits equals the share of losses not recognised.

39. Significant accounting policies (continued)

(b) Interest in equity-accounted investee (continued)

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.

(c) Interest income and expense:

Policy applicable after April 1, 2018

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

(a) POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.

(b) Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e.net of the expected credit loss provision).

Policy applicable before April 1, 2018

Interest income and expense are recognised in surplus or deficit 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. An indirect subsidiary recognises interest on the cash basis where payment is outstanding for over 30 days on a 10-20 week loan, or over 60 days on a 21-52 week loan.

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.

(d) Property, plant and equipment:

Items of property, plant and equipment are measured at cost, less accumulated depreciation and impairment losses [see note 39 (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.

39. Significant accounting policies (continued)

(d) Property, plant and equipment (continued):

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 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	33⅓%
Furniture, fixtures and office equipment	10%
Motor vehicles	20%

The depreciation method, useful live and residual value is reassessed at each reporting date.

Policy applicable before April 1, 2018

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 Bank, 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.

39. Significant accounting policies (continued)

(d) Property, plant and equipment (continued):

[i] Classification (continued):

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 Bank 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 Bank 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 Bank from classifying investment securities as held-to-maturity for the current and the following two financial years.

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 Bank makes use of derivatives to hedge foreign currency and interest rate exposures.

The Bank 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 Bank 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 Bank.

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

[ii] Recognition:

The Bank 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 Bank 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.

39. Significant accounting policies (continued)

(e) Financial instruments (continued):

Policy applicable before April 1, 2018 (continued)

[iii] Derecognition:

The Bank 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 Bank is recognised as a separate asset or liability.

The Bank 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 Bank 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 26(a)]. 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.

39. Significant accounting policies (continued)

(e) Financial instruments (continued):

Policy applicable before April 1, 2018 (continued)

[v] Measurement (continued):

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:

Policy applicable from April 1, 2018

The Bank assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments. The company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

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

Note provides more details of how the expected credit loss allowance is measured.

Allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets.
- loan commitments and financial guarantee contracts: generally, as a provision.
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss is recognised in profit or loss as a reclassification from OCI.

39. Significant accounting policies (continued)

(e) Financial instruments (continued):

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

The carrying amounts of the Bank’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 Bank on terms that the Bank 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 Bank 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 Bank 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.

39. Significant accounting policies (continued)

(e) 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 Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank 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 Bank 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 Bank 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 Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

39. Significant accounting policies (continued)

(e) Financial instruments (continued):

[vii] Fair value measurement (continued):

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank 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 Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(f) 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.

(g) 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.

(h) Investment property:

Investment property is 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.

39. Significant accounting policies (continued)

(i) Intangible assets:

[i] Intangible assets:

Intangible assets that are acquired by the Bank 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

(j) 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 gains 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.

(k) Other assets:

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

(l) Employee benefits:

Employee benefits are all forms of consideration given by the Bank 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.

The Bank 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:

39. Significant accounting policies (continued)

(l) Employee benefits (continued):

[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 Bank 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 Bank's net obligation in respect of its defined-benefit plans (note 22) 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 Bank's obligation.

Remeasurements of the net defined-benefit liability, which comprise actuarial gain and losses, are recognised immediately in other comprehensive income. The Bank 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 Bank recognise gain and losses on the settlement of a defined benefit plan when the settlement occurs.

39. Significant accounting policies (continued)

(l) Employee benefits (continued):

[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 Bank can no longer withdraw the offer of those benefits and when the Bank 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.

(m) Provisions and contingencies:

[i] Provisions

A provision is recognised in the statement of financial position when the Bank 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 recognised in the financial statements but are disclosed when an inflow of economic benefits is probable.

(n) Other payables:

Other payables are measured at amortised cost.

(o) 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.

39. Significant accounting policies (continued)

(o) Taxation (continued):

[i] Income tax (continued)

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 insufficient 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 Bank. 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.

(p) 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 = J$125.0201 UK£1 = J$164.5582 and Cdn$1 = J$92.9814, 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 = J$138.3505 and Cayman dollar KYD1 = J$153.7757.

39. Significant accounting policies (continued)

(p) Foreign currencies (continued):

[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 39(e)(v)].

(q) 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 Bank 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 Bank 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 Bank'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.

(r) Impairment of non-financial assets:

At each reporting date, the Bank 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.

39. Significant accounting policies (continued)

(r) Impairment of non-financial assets (continued):

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 39(c).

(u) Fees and commission:

Policy applicable before April 1, 2018

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.

39. Significant accounting policies (continued)

(u) Fees and commission (continued):

Policy applicable from April 1, 2018

The nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies are as follows:

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms.	Revenue recognition under IFRS 15 (applicable from April 1, 2018).
Servicing fees	The Bank provides administrative services to its customers in respect of service delivery within the branch network. Fees are varied based on the service provided.	Revenue from service is recognised over time as the service is provided.
Commission fees	The Bank provides services to its clients based on duly executed client agreements. Fees are charged on a monthly basis and are based on fixed rates agreed.	Revenue from service fees is recognised over time as the services are provided.
Syndication fees	The Bank charges fees for advisory services provided to its corporate clients based on agreed mandate. Fees are charged based on the nature of the transaction which varies from client to client.	Revenue from services is recognised at the successful execution of each transaction.

(v) Definition of related party:

A related party is a person or entity that is related to the Bank (“reporting entity”).

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

(i) has control or joint control over the Bank;
(ii) has significant influence over the Bank; or
(iii) is a member of the key management personnel of the Bank or a parent of the Bank.

39. Significant accounting policies (continued)

(v) Definition of related party (continued):

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

(i) The entity and the Bank 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 Bank or an entity related to the Bank. If the group is itself such a plan, the sponsoring employers are also related to the Bank.

(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 Bank or to the parent of the Bank.

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

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

- 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.

  The Bank is assessing the impact that the standard will have on its 2020 financial statements.

- IFRIC 23 *Uncertainty Over Income Tax Treatments*, is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, in the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

  An entity has to consider whether it is probable that the relevant tax authority would accept the tax treatment, or bank of tax treatments, that is adopted in its income tax filing.

39. Significant accounting policies (continued)

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

- IFRIC 23 *Uncertainty Over Income Tax Treatments* (continued)

  If the entity concludes that it is probable that the tax authority will accept a particular tax treatment in the tax return, the entity will 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 and record the same amount in the financial statements. The entity will disclose uncertainty.

  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.

  The Bank is assessing the impact that the interpretation will have on its 2020 financial statements.

- Amendments to IFRS 9 *Financial Instruments*, effective retrospectively for annual periods beginning on or after January 1, 2019 clarifies the treatment of:

  - Prepayment features with negative compensation:

    Financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI). The prepayment amount substantially represents unpaid principal and interest and reasonable compensation. Reasonable compensation may be positive or negative. Prior to this amendment, financial assets with this negative compensation feature would have failed the solely payments of principal and interest test and be mandatorily measured at fair value through profit or loss.

  - Modifications to financial liabilities:

    If the initial application of IFRS 9 results in a change in accounting policy arising from modified or exchanged fixed rate financial liabilities, retrospective application is required, subject to particular transitional reliefs. There is no change to the accounting for costs and fees when a liability has not been substantially modified. These are recognised as an adjustment to the carrying amount of the liability and are amortised over the remaining term of the modified liability.

  The Bank is assessing the impact that the standard will have on its 2020 financial statements.

39. Significant accounting policies (continued)

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

- Amendment to IAS 1, *Presentation of Financial Statements and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors* is effective for annual periods beginning on or after January 1, 2020, and provides the following definition of 'material' to guide preparers of financial statements in making judgements about information to be included in financial statements.

  "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

  The Bank is assessing the impact that the standard will have on its 2021 financial statements.

40. Subsequent event

The exchange rate of the Jamaica dollar at June 28, 2019 being the Bank of Jamaica weighted average exchange rate of the Jamaica dollar was US$1 to J$130.5161, £1 to J$165.2876, Cdn$1 to J$98.8607, €1 to J$148.0749, and Cayman dollar 1 to J$159.1919, compared to US$1 to J$125.0201, £1 to J$164.5582, Cdn$1 to J$92.9814, €1 to J$138.3505 and Cayman dollar 1 to J$153.7757, at March 31, 2019.