

Financial Statements of  
**JMMB BANK (T&T) LIMITED**  
March 31, 2019

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**JMMB BANK (T&T) LIMITED**

**Financial Statements**

**March 31, 2019**

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**Statement of Management's Responsibilities**  
**JMMB Bank (T&T) Limited**

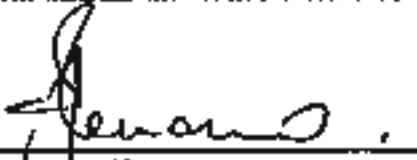
Management is responsible for the following:

- Preparing and fairly presenting the financial statements of JMMB Bank (T&T) Limited (the Parent), and its subsidiary together defined as (the Group) which comprise the statement of financial position as at March 31, 2019, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information;
- Ensuring that the Group keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Group's assets, detection/prevention of fraud and the achievement of the Group's operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that complies with laws and regulations, including the Companies Act; and
- Using reasonable and prudent judgement in the determination of estimates.

In preparing these separate and consolidated financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the Group will not remain a going concern for the next twelve months from the reporting date, or from the date the separate and consolidated financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.



Chief Executive Officer

Date: June 17, 2019



Chief Financial Officer

Date: June 17, 2019



**KPMG**  
Chartered Accountants  
Savannah East  
11 Queen's Park East  
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Port of Spain  
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## **Independent Auditors' Report to the Shareholders of JMMB Bank (T&T) Limited**

### **Opinion**

We have audited the financial statements, comprising the separate financial statements of JMMB Bank (T&T) Limited (the Parent) and the consolidated financial statements of the Parent and its subsidiary (the Group), which comprise the Parent's and Group's statements of financial position as at March 31, 2019, the Parent's and Group's statements of profit or loss and 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 present fairly, in all material respects, the financial position of the Parent and Group as at March 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### **Basis of 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 Parent and Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Trinidad and Tobago, and we have fulfilled our other ethical responsibilities in accordance with these requirements and with the IESBA Code.

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



## Key Audit Matters

<b>Impairment of financial assets</b> Note 3 (a) and Note 22 (a.i) to the financial statements	
<b>The key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>Loans and advances to customers and investment securities amounted to (Group) \$1,259 million (Parent) \$1,230 million and (Group) \$678 million (Parent) \$677 million, respectively.</p> <p>Significant judgement and assumptions, including:</p> <ul style="list-style-type: none"> <li>• the credit risks of customers and debt issuers;</li> <li>• the timing and amount of receipt of cash flows from these loans and advances and investments,</li> <li>• identification of impairment events,</li> </ul> <p>are used in the determination of the impairment charge</p> <p>Changes to key inputs to the estimates, assumptions and/or the judgements made can result in a significant change to the valuation.</p>	<p>Our audit procedures in relation to the recoverability and valuation of loans and advances to customers and; valuation of investment securities, included:</p> <ul style="list-style-type: none"> <li>- obtaining an understanding of the Group's credit control procedures and testing key controls over granting of credit to customers;</li> <li>- involving our own valuation specialists to assess management's Expected Credit Loss model and methodology</li> <li>- Replication of the model by the specialists and evaluating our generated values against the results of management's model; and</li> <li>- assessing the adequacy of the Group's disclosure for impairment of loans and advances to customers and, investment securities against the requirements of the applicable accounting standards</li> </ul>



**Key Audit Matters** (continued)

<b>Fair value of investments</b>	
Note 5 and 26 to the financial statements	
<b>The key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>The group's investments measured at fair value amounted to (Group) \$678 million (Parent) \$677 million. Of these investments \$339 million was categorised as Level 2 and \$69 million was categorised as Level 3 in the fair value hierarchy, as no quoted prices are available for these instruments.</p> <p>Valuation of these investments required the exercise of judgement and the use of assumptions. Changes to key inputs to the estimates, assumptions and/or the judgements made can result either on an individual investment or in aggregate, in a significant change to the valuation</p>	<p>Our procedures in this area included:</p> <ul style="list-style-type: none"> <li>- assessing and testing the design and operating effectiveness of the group's controls over the determination and computation of fair values</li> <li>- testing the fair value hierarchy of the portfolio of investments by assessing whether (i) the investment was quoted in an active market, (ii) valuation techniques used based on observable inputs or (iii) valuation techniques used based on unobservable inputs.</li> <li>- involving our own valuation specialists to determine/obtain yields/prices of all unquoted investment securities and comparing these yield/prices to those used by management.</li> </ul>



## **Responsibilities of Management and Those Charged with Governance for the Separate and Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of the separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated financial statements, management is responsible for assessing the Parent's and Group'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 Parent and/or subsidiary or to cease operations, or has no realistic alternative but to do so.

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

## **Auditors' Responsibilities for the Audit of the Separate and Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the separate and consolidated 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 separate and consolidated 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 separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Parent's and Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



**Auditors' Responsibilities for the Audit of the Separate and Consolidated Financial Statements (continued)**

- 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 Parent's and Group'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 separate and consolidated 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 Parent and Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

The engagement partner on the audit resulting in this independent auditors' report is Robert Alleyne.

Chartered Accountants  
Port of Spain  
Trinidad, West Indies  
June 17, 2019



# JMMB BANK (T&T) LIMITED

## Statement of Financial Position

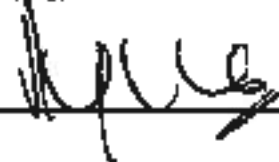
March 31, 2019

Separate		Notes	Consolidated	
2018	2019		2019	2018
\$'000	\$'000		\$'000	\$'000
<b>ASSETS</b>				
12,611	8,293		8,293	12,611
102,337	136,877		136,898	101,031
337,411	351,335		352,199	337,579
1,131,088	1,230,414	4	1,259,656	1,141,535
-	7,433		7,433	-
474,123	677,877	5	678,317	477,482
15,000	15,000		-	-
950	23,294		-	-
21,845	24,236	7	25,271	21,870
5	7	8	1,380	5
361	-		314	597
25,064	23,249	9	26,253	25,196
<b>2,120,795</b>	<b>2,498,015</b>		<b>2,496,014</b>	<b>2,117,906</b>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
1,758,512	2,064,010	10	2,064,236	1,758,736
13,186	9,957		-	-
-	67,570	11	67,570	-
44,485	44,709	12	45,558	44,789
1,146	546	8	706	1,135
100,000	100,000	13	100,000	100,000
-	7,957		7,957	-
<b>1,917,329</b>	<b>2,294,749</b>		<b>2,286,027</b>	<b>1,904,660</b>
<b>EQUITY</b>				
107,631	107,631	14	107,631	107,631
41,916	60,671		65,343	49,117
32,143	34,016		36,061	34,188
20,980	-		-	21,514
796	948		952	796
<b>203,466</b>	<b>203,266</b>		<b>209,987</b>	<b>213,246</b>
<b>2,120,795</b>	<b>2,498,015</b>		<b>2,496,014</b>	<b>2,117,906</b>

The accompanying notes are an integral part of these financial statements.



Director



Director

**JMMB BANK (T&T) LIMITED****Statement of Profit or Loss and Other Comprehensive Income**

Year ended March 31, 2019

<b>Separate</b>			<b>Notes</b>	<b>Consolidated</b>	
<b>2018</b>	<b>2019</b>			<b>2019</b>	<b>2018</b>
<b>\$'000</b>	<b>\$'000</b>		<b>\$'000</b>	<b>\$'000</b>	
100,402	115,849	Interest income calculated using effective interest method	15	118,595	101,426
<u>(17,650)</u>	<u>(26,449)</u>	Interest expense	16	<u>(26,386)</u>	<u>(17,585)</u>
82,752	89,400	<b>Net Interest Income</b>		92,209	83,841
9,615	10,323	Fees and commissions		10,942	9,633
1,586	-	Gain from sale of investments		-	1,804
-	1,516	Net gain on disposal of financial assets measured at FVOCI		1,516	-
1	6	Net gain from investment securities at fair value through profit or loss		6	1
-	-	Dividend income		-	7
<u>20,034</u>	<u>38,983</u>	Foreign exchange		<u>38,984</u>	<u>20,034</u>
31,236	50,828	<b>Total Other Income</b>		<u>51,448</u>	31,479
<u>113,988</u>	<u>140,228</u>	<b>OPERATING INCOME</b>		<u>143,657</u>	<u>115,320</u>
97,881	106,558	Operating expenses	17	113,475	98,768
<u>3,059</u>	<u>3,287</u>	Impairment losses	6	<u>3,324</u>	<u>3,059</u>
100,940	109,845			<u>116,799</u>	<u>101,827</u>
13,048	30,383	<b>Profit Before Taxation</b>		26,858	13,493
<u>(4,556)</u>	<u>(11,654)</u>	Taxation	19	<u>(10,558)</u>	<u>(4,688)</u>
8,492	18,729	<b>Profit for the year</b>		16,300	8,805
		<b>Other Comprehensive Income</b>			
		<i>Items that may be reclassified subsequently to profit or loss</i>			
3,474	-	Revaluation of available-for-sale investments		-	3,352
-	(591)	Net loss on investments in debt instruments measured at FVOCI		<u>(587)</u>	-
<u>3,474</u>	<u>(591)</u>	Other comprehensive income, net of tax		<u>(587)</u>	<u>3,352</u>
<u>11,966</u>	<u>18,138</u>	<b>Total comprehensive income for the year</b>		<u>15,713</u>	<u>12,157</u>

The accompanying notes are an integral part of these financial statements.

**JMMB BANK (T&T) LIMITED**

## Statement of Changes in Equity

Year ended March 31, 2019

	Stated Capital \$'000	Retained Earnings \$'000	Statutory Reserve \$'000	General Loss Reserve \$'000	Investment Revaluation Reserve \$'000	Total Equity \$'000
<b>CONSOLIDATED</b>						
<b>Balance as at March 31, 2017</b>	<u>77,631</u>	<u>42,125</u>	<u>33,307</u>	<u>20,582</u>	<u>(2,556)</u>	<u>171,089</u>
Revaluation of available- for-sale investments	-	-	-	-	3,352	3,352
Profit for the year	-	8,805	-	-	-	8,805
Total comprehensive income for the year	-	8,805	-	-	3,352	12,157
<i>Transactions with equity holders</i>						
Capital injection	30,000	-	-	-	-	30,000
Transfer to general loss reserve	-	(932)	-	932	-	-
Transfer to statutory reserve	-	(881)	881	-	-	-
Total transactions with equity holders	<u>30,000</u>	<u>(1,813)</u>	<u>881</u>	<u>932</u>	<u>-</u>	<u>30,000</u>
<b>Balance as at March 31, 2018</b>	<u>107,631</u>	<u>49,117</u>	<u>34,188</u>	<u>21,514</u>	<u>796</u>	<u>213,246</u>
<b>Changes on initial application of IFRS 9, net of taxes Note 3(a)(ii)</b>						
	-	(19,715)	-	-	743	(18,972)
<b>Restated balance as at April 1, 2018</b>	<u>107,631</u>	<u>29,402</u>	<u>34,188</u>	<u>21,514</u>	<u>1,539</u>	<u>194,274</u>
Net movement in fair value of debt instruments - at FVOCI	-	-	-	-	(587)	(587)
Profit for the year	-	16,300	-	-	-	16,300
Total comprehensive income for the year	-	16,300	-	-	(587)	15,713
<i>Transactions with equity holders</i>						
Transfer from general loss reserve	-	21,514	-	(21,514)	-	-
Transfer to statutory reserve	-	(1,873)	1,873	-	-	-
Total transactions with equity holders	-	19,641	1,873	(21,514)	-	-
<b>Balance as at March 31, 2019</b>	<u>107,631</u>	<u>65,343</u>	<u>36,061</u>	<u>-</u>	<u>952</u>	<u>209,987</u>

The accompanying notes are an integral part of these financial statements.

**JMMB BANK (T&T) LIMITED**

## Statement of Changes in Equity (continued)

Year ended March 31, 2019

	Stated Capital \$'000	Retained Earnings \$'000	Statutory Reserve \$'000	General Loss Reserve \$'000	Investment Revaluation Reserve \$'000	Total Equity \$'000
<b>SEPARATE</b>						
<b>Balance as at March 31, 2017</b>	<u>77,631</u>	<u>35,205</u>	<u>31,294</u>	<u>20,048</u>	<u>(2,678)</u>	<u>161,500</u>
Revaluation of available- for-sale investments	-	-	-	-	3,474	3,474
Profit for the year	-	8,492	-	-	-	8,492
Total comprehensive income for the year	-	8,492	-	-	3,474	11,966
<i>Transactions with equity holders</i>						
Capital injection	30,000	-	-	-	-	30,000
Transfer to general loss reserve	-	(932)	-	932	-	-
Transfer to statutory reserve	-	(849)	849	-	-	-
Total transactions with equity holders	<u>30,000</u>	<u>(1,781)</u>	<u>849</u>	<u>932</u>	<u>-</u>	<u>30,000</u>
<b>Balance as at March 31, 2018</b>	<u>107,631</u>	<u>41,916</u>	<u>32,143</u>	<u>20,980</u>	<u>796</u>	<u>203,466</u>
Changes on initial application of IFRS 9 net of taxes Note 3(a)(ii)	-	(19,081)	-	-	743	(18,338)
<b>Restated balance as at April 1, 2018</b>	<u>107,631</u>	<u>22,835</u>	<u>32,143</u>	<u>20,980</u>	<u>1,539</u>	<u>185,128</u>
Net movement in fair value of debt instruments at FVOCI	-	-	-	-	(591)	(591)
Profit for the year	-	18,729	-	-	-	18,729
Total comprehensive income for the year	-	18,729	-	-	(591)	18,138
<i>Transactions with equity holders</i>						
Transfer to general loss reserve	-	20,980	-	(20,980)	-	-
Transfer to statutory reserve	-	(1,873)	1,873	-	-	-
Total transactions with equity holders	-	19,107	1,873	(20,980)	-	-
<b>Balance as at March 31, 2019</b>	<u>107,631</u>	<u>60,671</u>	<u>34,016</u>	<u>-</u>	<u>948</u>	<u>203,266</u>

The accompanying notes are an integral part of these financial statements.

# JMMB BANK (T&T) LIMITED

## Statement of Cash Flows

Year ended March 31, 2019

Separate			Consolidated	
2018	2019		2019	2018
\$'000	\$'000		\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
13,048	30,383	Profit before taxation	26,858	13,493
Adjustments for:				
5,003	4,774	Depreciation	5,015	5,021
2,731	1,032	Amortisation of securities and discount cost	1,032	2,730
3,399	3,350	Impairment Gain on loans	3,383	3,399
-	(41)	Impairment Loss on investment securities	(37)	-
7	-	Loss on disposal of plant and equipment	33	7
(1,586)	(1,516)	Gain on sale of investment	(1,516)	(1,804)
(1)	(6)	Net gain from investment securities at fair value through profit or loss	(6)	(1)
<u>22,601</u>	<u>37,976</u>		<u>34,762</u>	<u>22,845</u>
Changes in:				
(91,729)	(121,089)	- Loans and advances to customers	(140,584)	(87,725)
178,201	305,498	- Customers' deposits	305,498	178,203
(4,604)	(2,381)	- Other assets	(3,363)	(4,540)
(32,157)	(13,924)	- Deposits with Central Bank	(14,619)	(28,660)
8,724	(25,573)	- Due to subsidiary	-	-
18,680	214	- Other liabilities and accruals	731	18,768
-	299	Tax refund received	301	-
(4,940)	(5,521)	Taxes paid	(5,705)	(5,126)
<u>94,776</u>	<u>175,499</u>	<b>Net cash from operating activities</b>	<u>177,021</u>	<u>93,765</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
(2,485)	(2,959)	Purchase of plant and equipment	(6,164)	(2,518)
-	-	Proceeds from sale of plant and equipment	59	-
(999,401)	(1,360,931)	Purchase of investment securities	(1,360,950)	(999,445)
<u>899,832</u>	<u>1,151,043</u>	Proceeds from sale/maturity of investment securities	<u>1,154,013</u>	<u>900,557</u>
<u>(102,054)</u>	<u>(212,847)</u>	<b>Net cash used in investing activities</b>	<u>(213,042)</u>	<u>(101,406)</u>
30,000	-	Capital injection	-	30,000
-	67,570	Repurchase agreement	67,570	-
<u>20,000</u>	<u>-</u>	Issue of debt securities	<u>-</u>	<u>20,000</u>
<u>50,000</u>	<u>67,570</u>	<b>Net cash from financing activities</b>	<u>67,570</u>	<u>50,000</u>
42,722	30,222	<b>Net movement in cash and cash equivalents</b>	31,549	42,359
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>				
<u>72,226</u>	<u>114,948</u>		<u>113,642</u>	<u>71,283</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>				
<u>114,948</u>	<u>145,170</u>		<u>145,191</u>	<u>113,642</u>

**JMMB BANK (T&T) LIMITED**

## Statement of Cash Flows (continued)

Year ended March 31, 2019

Separate			Consolidated	
2018	2019		2019	2018
\$'000	\$'000		\$'000	\$'000
<b>CASH AND CASH EQUIVALENTS REPRESENTED BY</b>				
12,611	8,293	Cash and cash equivalents	8,293	12,611
<u>102,337</u>	<u>136,877</u>	Due from other financial institutions	<u>136,898</u>	<u>101,031</u>
<u>114,948</u>	<u>145,170</u>		<u>145,191</u>	<u>113,642</u>
<b>Supplemental information:</b>				
<u>80,901</u>	<u>111,713</u>	Interest received during the year	<u>113,817</u>	<u>81,943</u>
<u>13,018</u>	<u>24,999</u>	Interest paid during the year	<u>24,866</u>	<u>13,029</u>

*The accompanying notes are an integral part of these financial statements.*

# JMMB BANK (T&T) LIMITED

## Notes to the Financial Statements

March 31, 2019

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### 1. General Information

JMMB Bank (T&T) Limited (the 'Bank' or 'Parent') was incorporated on September 7, 1997 in the Republic of Trinidad and Tobago and commenced operations from June 8, 1998. Its registered office and principal place of business is situated at DSM Plaza, Old Southern Main Road, Chaguanas. The Bank offers a complete range of banking and financial services as permitted under the Financial Institutions Act, 2008.

On October 2, 2013, the Bank became a fully owned subsidiary of Jamaica Money Market Brokers (Trinidad and Tobago) Limited, a company licensed to carry on the business of a financial holding company pursuant to Section 70 of the Financial Institutions Act 2008.

Effective April 26, 2016, the Bank changed its name from Intercommercial Bank Limited to JMMB Bank (T&T) Limited.

On September 8, 2017, the ultimate parent of Jamaica Money Market Brokers (Trinidad and Tobago) Limited was changed from Jamaica Money Market Brokers Limited to JMMB Group Limited which is domiciled in Jamaica and is the ultimate parent of all subsidiaries in the JMMB Group.

The Bank's fully owned subsidiary changed its name from Intercommercial Trust and Merchant Bank Limited to JMMB Express Finance (T&T) Limited effective July 25, 2018 and is now focused primarily on consumer lending. For the purposes of these financial statements the Bank and its subsidiary are together referred to as the Group.

These financial statements were authorised for issue by the Board of Directors on June 17, 2019.

### 2. Basis of Preparation

#### (a) *Statement of compliance*

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

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

Details of the Group's accounting policies, including changes during the year, are included in note 3 below.

References to the Group also include the Parent unless otherwise stated.

## JMMB BANK (T&T) LIMITED

### Notes to the Financial Statements

March 31, 2019

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#### 2. Basis of Preparation (continued)

##### *(b) Basis of measurement*

The financial statements have been prepared on the historical cost basis except for financial instruments at fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI).

##### *(c) Functional and presentation currency*

Items included in these financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

These financial statements are presented in Trinidad and Tobago dollars, which is the Group's functional and presentation currency, unless otherwise stated. All amounts are rounded to the nearest thousand, unless otherwise indicated.

##### *(d) Use of judgements and critical estimates*

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

This note provides an overview of the areas that involve a higher degree of judgement or complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year. Detailed information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements

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

#### **Key assumptions and other sources of estimation uncertainty**

##### **(i) Allowance for impairment losses**

###### Policy from April 1, 2018

Loans accounted for at amortised cost are evaluated for impairment on the basis described in accounting policy note 3 b (iii) policy from April 1, 2018.



**2. Basis of Preparation (continued)**

*(d) Use of judgements and critical estimates (continued)*

**Key assumptions and other sources of estimation uncertainty (continued)**

**(i) Allowance for impairment losses (continued)**

Policy from April 1, 2018 (continued)

*Measurement of the expected credit loss allowance (ECL)*

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and 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 note 22(a)(ii)3, which also sets out key sensitivities of the ECL to changes in these elements.

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;
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in note 3(b).

Policy prior April 1, 2018

The Group's determination of impairment is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgments about the counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the finance and credit functions.

**2. Basis of Preparation (continued)**

**(d) Use of judgements and critical estimates (continued)**

**Key assumptions and other sources of estimation uncertainty (continued)**

**(i) Allowance for impairment losses (continued)**

*Measurement of the expected credit loss allowance (ECL) (continued)*

Policy prior April 1, 2018 (continued)

The accuracy of the allowances depends on the accuracy of the estimated future cash flows for specific counterparty allowances and the model assumptions and parameters that are used and the actual results may differ, resulting in future changes to the impairment allowances.

**(ii) Financial asset and financial liability classification**

The Group's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances.

In classifying financial assets or financial liabilities as fair value through profit or loss (FVTPL), hold to collect and sell and hold to collect, the Group has determined that it meets the criteria for this classification set out in accounting policy 3(b).

**(iii) Determining fair values with significant unobservable inputs**

The determination of fair value for financial assets and financial liabilities for which there is no observable market price requires the use of valuation techniques as described in Note 26. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument

**(iv) Deferred tax assets**

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

## JMMB BANK (T&T) LIMITED

### Notes to the Financial Statements

March 31, 2019

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#### 2. Basis of Preparation (continued)

##### (d) Use of judgements and critical estimates (continued)

###### Key assumptions and other sources of estimation uncertainty (continued)

##### (v) Plant and equipment

Management exercises judgement in determining whether costs incurred can accrue sufficient future economic benefits to the Group to enable the cost to be treated as a capital expense. Further judgment is used upon annual review of the residual values and useful lives of all capital items to determine any necessary adjustments to carrying value.

##### (e) Basis of consolidation

###### (i) Subsidiary

A 'Subsidiary' is an investee controlled by the Group. The Group 'controls' an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

###### (ii) Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

**3. Significant Accounting Policies**

*(a) Changes in accounting policies*

The Group 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 Group did not early adopt any of IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Group 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.

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'.

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.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Group. 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 in note 3 (b)(ii).

The Group also adopted IFRS 15, Revenue From Contracts With Customers, effective for accounting periods beginning on or after January 1, 2018 and which replaces IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for Construction of Real Estate, IFRIC 18, Transfer of Assets from Customers and SIC-31 Revenue-Barter Transactions Involving Advertising Services. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. The adoption of IFRS 15 did not impact the timing or amount of fee and commission income from contracts with customers and the related assets and liabilities recognised by the Group.

**JMMB BANK (T&T) LIMITED**

## Notes to the Financial Statements

March 31, 2019

**3. Significant Accounting Policies (continued)****(a) Changes in accounting policies (continued)****(i) Classification and measurement of financial instruments**

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 Measurement Category	Carrying Amount \$'000	IFRS 9 Measurement Category	Carrying Amount \$'000
<b>Consolidated</b>				
<b>Financial Assets</b>				
Cash and cash equivalents, balances with Central Bank and other financial institutions	Amortised Costs	451,221	Amortised Costs	451,221
Loans and advances to customers	Amortised Costs (Loans and Receivables)	1,141,535	Amortised Costs	1,124,026
Investment securities	Fair Value through PL	38,807	Fair Value through PL	38,807
	Held to Maturity	1,000	Fair Value through OCI-Debt	1,075
	Available for Sale - Debt	434,122	Fair Value through OCI-Debt	434,122
	Available for Sale-Equity	1,553	Fair Value through OCI-Equity	1,553

**JMMB BANK (T&T) LIMITED**

## Notes to the Financial Statements

March 31, 2019

**3. Significant Accounting Policies (continued)****(a) Changes in accounting policies (continued)****(i) Classification and measurement of financial instruments**

	IAS 39 Measurement Category	Carrying Amount \$'000	IFRS 9 Measurement Category	Carrying Amount \$'000
<b>Separate</b>				
<b>Financial Assets</b>				
Cash and cash equivalents, balances with Central Bank and other financial institutions	Amortised Costs	452,359	Amortised Costs	452,359
Loans and advances to customers	Amortised Costs (Loans and Receivables)	1,131,088	Amortised Costs	1,114,213
Investment securities	Amortised Costs	35,834	Fair Value through PL	35,834
	Held to Maturity	3,000	Fair Value through OCI-Debt	3,075
	Available for Sale – Debt	433,736	Fair Value through OCI-Debt	433,736
	Available for Sale-Equity	1,553	Fair Value through OCI-Equity	1,553

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

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

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

Please refer to note 3(b)(iii) policy from April 1, 2018 for more detailed information regarding the new classification requirements of IFRS 9.

**JMMB BANK (T&T) LIMITED**

## Notes to the Financial Statements

March 31, 2019

**3. Significant Accounting Policies (continued)****(a) Changes in accounting policies (continued)****(ii) 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 \$'000	Reclassification \$'000	Remeasurement \$'000	IFRS 9 Carrying Amount April 1, 2018 \$'000
<b>Consolidated</b>				
<b>Amortised Cost</b>				
Cash and cash equivalents, balances with Central Bank and other Financial Institutions	451,221	-	-	451,221
Opening balance under IAS 39 and closing under IFRS 9	<u>451,221</u>	<u>-</u>	<u>-</u>	<u>451,221</u>
<b>Loans and advances to customers</b>				
Opening Balance under IAS 39	1,141,535	-	-	1,141,535
Expected Credit Loss	-	-	(17,509)	(17,509)
Closing under IFRS 9	<u>1,141,535</u>	<u>-</u>	<u>(17,509)</u>	<u>1,124,026</u>
<b>Investment Securities</b>				
Opening Balance under IAS 39	3,000	-	-	3,000
Subtraction to FVOCI Expected Credit Loss	-	(3,000)	-	(3,000)
Closing under IFRS 9	<u>3,000</u>	<u>(3,000)</u>	<u>-</u>	<u>-</u>
Total Amortised Costs	<u>1,595,756</u>	<u>(3,000)</u>	<u>(17,509)</u>	<u>1,575,247</u>
<b>Fair Value through profit or loss</b>				
Opening Balance under IAS 39 and closing under IFRS 9	<u>38,807</u>	<u>-</u>	<u>-</u>	<u>38,807</u>

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## Notes to the Financial Statements

March 31, 2019

**3. Significant Accounting Policies (continued)****(a) Changes in accounting policies (continued)****(ii) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 (continued)**

	IAS 39			IFRS 9
	Carrying			Carrying
	Amount			Amount
	March 31,	Reclassification	Remeasurement	April 1,
	2018			2018
	\$'000	\$'000	\$'000	\$'000
<b>Consolidated (continued)</b>				
<b>Fair value through other comprehensive income</b>				
<b>Investment Securities – Debt</b>				
Opening balance under IAS 39	434,122	-	-	434,122
Addition-From Available for Sale (IAS 39)	-	-	-	-
Addition-From Held to Maturity (IAS 39)	-	3,000	75	3,075
Expected Credit Loss	-	-	-	-
<b>Closing under IFRS 9</b>	<b>434,122</b>	<b>3,000</b>	<b>75</b>	<b>437,197</b>
<b>Fair value through other comprehensive income</b>				
<b>Investment Securities – Equity</b>				
Opening balance under IAS 39	1,553	-	-	1,553
Addition-From Available For Sale (IAS 39)	-	-	-	-
<b>Closing under IFRS 9</b>	<b>1,553</b>	<b>-</b>	<b>-</b>	<b>1,553</b>
<b>Total Fair value through comprehensive income</b>	<b>435,675</b>	<b>3,000</b>	<b>75</b>	<b>438,750</b>



**JMMB BANK (T&T) LIMITED**

## Notes to the Financial Statements

March 31, 2019

**3. Significant Accounting Policies (continued)****(a) Changes in accounting policies (continued)****(ii) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 (continued)**

	IAS 39 Carrying Amount March 31, 2018 \$'000	Reclassification \$'000	Remeasurement \$'000	IFRS 9 Carrying Amount April 1, 2018 \$'000
<b>Separate</b>				
<b>Amortised Cost</b>				
Cash and cash equivalents, balances with Central Bank and other Financial Institutions	452,359	-	-	452,359
Opening balance under IAS 39 and closing under IFRS 9	452,359	-	-	452,359
<b>Loans and advances to customers</b>				
Opening Balance under IAS 39	1,131,088	-	-	1,131,088
Expected Credit Loss <sup>1</sup>	-	-	(16,875)	(16,875)
Closing under IFRS 9	1,131,088	-	(16,875)	1,114,213
<b>Investment Securities</b>				
Opening Balance under IAS 39	3,000	-	-	3,000
Subtraction to FVOCI	-	(3,000)	-	(3,000)
Expected Credit Loss	-	-	-	-
Closing under IFRS 9	3,000	(3,000)	-	-
Total Amortised Costs	1,586,447	(3,000)	(16,875)	1,566,572
<b>Fair Value through profit or loss</b>				
Opening Balance under IAS 39 and closing under IFRS 9	35,834	-	-	35,834

**JMMB BANK (T&T) LIMITED**

## Notes to the Financial Statements

March 31, 2019

**3. Significant Accounting Policies (continued)****(a) Changes in accounting policies (continued)****(ii) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 (continued)**

	IAS 39 Carrying Amount March 31, 2018 \$'000	Reclassification \$'000	Remeasurement \$'000	IFRS 9 Carrying Amount April 1, 2018 \$'000
<b>Separate (continued)</b>				
<b>Fair value through other comprehensive income</b>				
<b>Investment Securities – Debt</b>				
Opening balance under IAS 39	433,736	-	-	433,736
Addition-From Available for Sale (IAS 39)	-	-	-	-
Addition-From Held to Maturity (IAS 39)	-	3,000	75	3,075
Expected Credit Loss	-	-	-	-
Closing under IFRS 9	<u>433,736</u>	<u>3,000</u>	<u>75</u>	<u>436,811</u>
<b>Fair value through other comprehensive income</b>				
<b>Investment Securities – Equity</b>				
Opening balance under IAS 39	1,553	-	-	1,553
Addition-From Available For Sale (IAS 39)	-	-	-	-
Closing under IFRS 9	<u>1,553</u>	<u>-</u>	<u>-</u>	<u>1,553</u>
Total Fair value through comprehensive income	<u>435,289</u>	<u>3,000</u>	<u>75</u>	<u>438,364</u>

The following shows that impact of the transition to IFRS 9 on Retained Earnings.

<b>Separate</b>	<b>\$'000</b>
<b>Retained earnings</b>	
Closing balance under IAS 39 as at March 31, 2018	41,916
Recognition of expected credit losses under IFRS 9:	
- Loans and advances to customers	(16,875)
- Investment securities	(668)
- Related tax	<u>(1,538)</u>
Total IFRS 9 impact	<u>(19,081)</u>
	<u>22,835</u>

**JMMB BANK (T&T) LIMITED**

Notes to the Financial Statements

March 31, 2019

**3. Significant Accounting Policies (continued)**

*(a) Changes in accounting policies (continued)*

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

<b>Consolidated</b>	\$'000
<b>Retained earnings</b>	
Closing balance under IAS 39 as at March 31, 2018	49,117
Recognition of expected credit losses under IFRS 9:	
- Loans and advances to customers	(17,509)
- Investment securities	(668)
- Related tax	<u>(1,538)</u>
<b>Total IFRS 9 impact</b>	<b>(19,715)</b>
	<u>29,402</u>

**(iii) Reconciliation of impairment allowance balance from IAS 39 to IFRS 9**

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 loss model at April 1, 2018:

<b>Measurement Category</b>	<b>Loan Loss Allowance</b>			<b>Loan Loss Allowance</b>
	<b>Under IAS 39</b>	<b>Reclassification</b>	<b>Remeasurement</b>	<b>Under IFRS 9</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Consolidated</b>				
<b>Loans and receivables (IAS 39/ Amortised cost (IFRS 9))</b>				
Cash and Cash equivalents, balances with Central Bank and other Financial Institutions	-	-	-	-
Loans and advances to customers	12,425	-	17,509	29,934
Investment Securities	-	-	-	-
	<u>12,425</u>	<u>-</u>	<u>17,509</u>	<u>29,934</u>
<b>Held to Maturity (IAS 39)/Financial Assets at amortised costs (IFRS 9)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Available for Sale Financial Instruments (IAS 39) Financial Assets at FVOCI (IFRS 9)</b>	<u>-</u>	<u>-</u>	<u>668</u>	<u>668</u>

**JMMB BANK (T&T) LIMITED**

## Notes to the Financial Statements

March 31, 2019

**3. Significant Accounting Policies (continued)****(a) Changes in accounting policies (continued)****(iii) Reconciliation of impairment allowance balance from IAS 39 to IFRS 9 (continued)**

<b>Measurement Category</b>	<b>Loan Loss Allowance Under</b>			<b>Loan Loss Allowance Under</b>
	<b>IAS 39</b>	<b>Reclassification</b>	<b>Remeasurement</b>	<b>IFRS 9</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Separate</b>				
<b>Loans and receivables (IAS 39/ Amortised cost (IFRS 9)</b>				
Cash and Cash equivalents, balances with Central Bank and other Financial Institutions	-	-	-	-
Loans and advances to customers	12,425	-	16,875	29,300
Investment Securities	-	-	-	-
	<u>12,425</u>	<u>-</u>	<u>16,875</u>	<u>29,300</u>
<b>Held to Maturity (IAS 39)/Financial Assets at amortised costs (IFRS 9)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Available for Sale Financial Instruments (IAS 39) Financial Assets at FVOCI (IFRS 9)</b>	<u>-</u>	<u>-</u>	<u>668</u>	<u>668</u>

**(b) Financial instruments****Policy from April 1, 2018**

(i) The Group's financial instruments fall under the following categories:

**(a) Loans and advances to customers**

The Group's loans and advances to customers are debt instruments with fixed or determinable payments and that are managed mainly for the collection of the contractual cash flows that management has classified within a hold to collect business model and are measured at amortised cost under IFRS 9. The detailed classification and measurement criteria are noted below.

**3. Significant Accounting Policies (continued)**

**(b) Financial instruments (continued)**

**Policy from April 1, 2018 (continued)**

(i) The Group's financial instruments fall under the following categories:

**(b) Repurchase and reverse repurchase agreements**

Securities sold under agreements to repurchase (repurchase agreements) and securities purchased under agreements to resell (reverse repurchase agreements) are treated as collateralised financing transactions. These are classified within a hold to collect business model and are measured at amortised cost under IFRS 9 classified. The difference between the sale/purchase and repurchase/resale price is treated as interest and accrued over the life of the agreements using the effective yield method.

**(c) Investment securities**

The Group's investment securities include both debt and equity instruments. These instruments are classified and measured according to the business model for managing each asset as well as based on the cashflow characteristics of each instrument as detailed below.

**(d) Customer deposits**

Deposits from customers are the Group's main source of funding and fall under the categories of savings, demand or time deposits, and are measured at amortised cost according to the business model for managing these instruments.

**(e) Debt securities in issue**

The Group also uses debt securities as a source of funding. Debt securities in issue are initially measured at fair value which equates to the agreed terms at the issue date minus incremental direct transaction costs and are subsequently measured at amortised cost using the effective interest rate method according to the business model for managing these instruments.

**(f) Financial guarantee contracts and loan commitments**

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

**3. Significant Accounting Policies (continued)**

**(b) Financial Instruments (continued)**

**Policy from April 1, 2018 (continued)**

(i) The Group's financial instruments fall under the following categories.

**(f) Financial guarantee contracts and loan commitments (continued)**

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 3(b)); and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

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

(ii) 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 that are integral to the effective interest rate, such as origination fees.

**3. Significant Accounting Policies (continued)**

*(b) Financial instruments (continued)*

**Policy from April 1, 2018 (continued)**

**(ii) Measurement methods (continued)**

*Amortised cost and effective interest rate (continued)*

For purchased or originated credit-impaired ('POCI') financial assets - assets that are credit-impaired (see definition on note 3(b)) at initial recognition - the Group 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 Group 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.

*Interest income calculated using effective interest method*

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).

*Initial recognition and 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 Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, 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.

**3. Significant Accounting Policies (continued)**

**(b) Financial Instruments (continued)**

**Policy from April 1, 2018 (continued)**

**(ii) Measurement methods (continued)**

*Initial recognition and measurement (continued)*

Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss 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, as described in note 3(b), which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

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 (i.e. Level 2 input) the difference is recognised as a gain or loss.

**(iii) Financial assets**

*Classification and subsequent measurement*

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

- Fair value through profit or loss (FVTPL);
- 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 and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on:

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



3. **Significant Accounting Policies** (continued)

(b) *Financial instruments* (continued)

**Policy from April 1, 2018** (continued)

(iii) Financial assets (continued)

*Classification and subsequent measurement* (continued)

*Debt instruments* (continued)

Based on these factors, the Group 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 FVTPL, 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 3(b). Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.
- **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 FVTPL, 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 Investment income'. 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 'Gains/loss on investment at FVTPL'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

**3. Significant Accounting Policies (continued)**

**(b) Financial instruments (continued)**

**Policy from April 1, 2018 (continued)**

**(iii) Financial assets (continued)**

*Classification and subsequent measurement (continued)*

*Debt instruments (continued)*

• **Fair value through profit or loss (continued)**

**Business model:** the business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group'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 FVTPL. Factors considered by the Group 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. An example is the liquidity portfolio of assets, which is held by the Group 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 FVTPL.

**SPP1:** Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPP1 test').

In making this assessment, the Group 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.

3. Significant Accounting Policies (continued)

(b) Financial instruments (continued)

**Policy from April 1, 2018 (continued)**

(iii) Financial assets (continued)

Classification and subsequent measurement (continued)

*Debt instruments (continued)*

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

The Group 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.

*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 Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Group'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 Group's right to receive payments is established.

Gains and losses on equity investments at FVTPL are included in the 'Net gain/loss from investment securities at fair value through profit and loss'.

**3. Significant Accounting Policies (continued)**

*(b) Financial instruments (continued)*

**Policy from April 1, 2018 (continued)**

**(iii) Financial assets (continued)**

*Classification and subsequent measurement (continued)*

*Impairment*

The Group 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 loans, commitments and financial guarantee contracts. The Group 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 22 (a)(ii) 1 provides more detail of how the expected credit loss allowance is measured.

*Modification of loans*

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

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- Whether any substantial new terms are introduced, that substantially affects the risk profile of the loan;
- Material change of the loan term when the borrower is not in financial difficulty;

**3. Significant Accounting Policies (continued)**

**(b) Financial instruments (continued)**

**Policy from April 1, 2018 (continued)**

**(iii) Financial assets (continued)**

*Classification and subsequent measurement (continued)*

*Modification of loans (continued)*

- Significant change in the interest rate;
- Change in the currency the loan is denominated in;
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates 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 Group 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 Group 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).

**3. Significant Accounting Policies (continued)**

*(b) Financial instruments (continued)*

**Policy from April 1, 2018** (continued)

**(iii) Financial assets (continued)**

*Classification and subsequent measurement (continued)*

*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 Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

The Group 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 Group:

- (i) Has no obligation to make payments unless it collects equivalent amounts from the assets;
- (ii) Is prohibited from selling or pledging the assets; and
- (iii) Has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

**3. Significant Accounting Policies (continued)**

*(b) Financial instruments (continued)*

**Policy from April 1, 2018 (continued)**

*(iv) Financial liabilities*

*Classification and subsequent measurement*

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

*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 Group 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.

**3. Significant Accounting Policies (continued)**

**(b) Financial instruments (continued)**

**Policy prior to April 1, 2018**

Financial instruments comprise balances with, and due to and from related parties, cash and cash equivalents, due from other financial institutions, investment securities, loans and advances to customers, and debt securities in issue and customers' deposits.

**(i) Recognition and initial measurement**

The Group initially recognises loans and advances to customers, deposits and debt securities issued on the date at which they are disbursed, booked and issued respectively. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

**(ii) Classification**

**Financial assets**

The Group classifies its financial assets into one of the following categories:

- loans and advances to customers and receivables;
- held-to-maturity;
- available-for-sale; and
- fair value through profit or loss; and within this category as:
  - held for trading; or
  - designated at fair value through profit or loss.

• ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money or services directly to a debtor with no intention of trading the receivable.

• ***Held-to-maturity***

'Held-to-maturity investments' are non-derivative assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity, and which are not designated as at fair value through profit or loss or as available-for-sale.

Held-to-maturity investments are carried at amortised cost using the effective interest method, less any impairment losses.



**3. Significant Accounting Policies (continued)**

*(b) Financial instruments (continued)*

**Policy prior to April 1, 2018** (continued)

*(ii) Classification (continued)*

*Financial assets (continued)*

A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- Sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- Sales or reclassifications after the Group has collected substantially all of the asset's original principal; and
- Sales or reclassifications that are attributable to non-recurring isolated events beyond the Group's control that could not have been reasonably anticipated.

▪ *Available-for-sale*

Available-for-sale investments are non-derivative investments that are not classified as another category of financial assets. Available-for-sale investments comprise equity securities and debt securities. Unquoted equity securities whose fair value cannot be measured reliably are carried at cost. All other available-for-sale investments are measured at fair value after initial recognition.

• *Fair value through profit or loss*

The Group designates securities at fair value with any subsequent fair value changes recognised immediately in profit or loss.

**3. Significant Accounting Policies (continued)**

*(b) Financial instruments (continued)*

**Policy prior to April 1, 2018 (continued)**

*(ii) Classification (continued)*

**Financial liabilities**

The Group classifies its financial liabilities as measured at amortised cost.

*(iii) Derecognition*

**Financial assets**

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or in a transaction in which the Group neither transfers nor retains substantially all the risks and rewards of ownership but it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of:

- (i) the consideration received (including any new asset obtained less any new liability assumed); and
- (ii) any cumulative gain or loss that had been recognized in other comprehensive income (OCI) is recognised in profit or loss.

**Financial liabilities**

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

*(iv) Offsetting*

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

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions.

**3. Significant Accounting Policies (continued)**

*(b) Financial instruments (continued)*

**Policy prior to April 1, 2018 (continued)**

*(v) Amortised cost measurement*

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, premium or discount less any reduction for impairment.

*(vi) Fair value measurement*

'Fair value' is the price that would be exchanged to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in markets to which the Group has access at that date.

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

If there is no quoted price in an active market, then the Group uses valuation techniques that seek to use relevant observable inputs and minimize 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.

The Group uses the fair value hierarchy that prioritizes the inputs used to measure fair value into three levels being level 1, level 2 and level 3. This is discussed in greater detail in Note 26.

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

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

**3. Significant Accounting Policies (continued)**

*(b) Financial instruments (continued)*

**Policy prior to April 1, 2018 (continued)**

*(vii) Designation at fair value through profit or loss*

The Group may designate financial assets and financial liabilities at fair value through profit or loss in either of the following circumstances:

- The assets or liabilities are managed, evaluated and reported internally on a fair value basis.
- The designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

*(viii) Impairment of financial assets*

At each financial reporting period, the Group assesses whether there is objective evidence that suggests a financial asset or group of assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired include:

- Significant financial difficulty of the borrower;
- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral; and
- Downgrading below investment grade level, where appropriate.

If there is objective evidence that an impairment loss on loans and advances to customers has been incurred, the amount of the allowance for impairment is measured as the difference between the carrying amount and the recoverable amount, being the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans. Impairment losses are recognised in profit or loss.

The allowance which is made during the year, less amounts released and recoveries of bad debts previously written off, is charged against the profit or loss. When a loan is deemed uncollectible, it is written off against the related allowance for losses.

**3. Significant Accounting Policies (continued)**

*(h) Financial instruments (continued)*

**Policy prior to April 1, 2018 (continued)**

*(viii) Impairment of financial assets (continued)*

Where possible the Group seeks to restructure loans rather than take possession of collateral. This may involve extending the payment arrangements and the arrangement of new loan conditions. Once the terms have been restructured, the loan is no longer considered past due. Management continuously reviews restructured loans to ensure that all conditions are met and future payments are likely to occur.

*Calculation of recoverable amount*

The recoverable amount of the Group's loans and advances to customers is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets).

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Receivables with a short duration are not discounted.

When there is objective evidence that an available-for-sale financial asset is impaired, the cumulative loss that had been recognised in reserves is recognised in the profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in the profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in reserves.

*Reversals of impairment*

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. The decrease in the impairment loss is reversed through profit or loss.

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through the profit or loss.

**3. Significant Accounting Policies (continued)**

*(b) Financial Instruments (continued)*

**Policy prior to April 1, 2018 (continued)**

*(viii) Impairment of financial assets (continued)*

*Reversals of impairment (continued)*

If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in the profit or loss.

*Loans and advances to customers*

Loans and advances to customers are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market. These are classified as loans and receivables. Loans and advances to customers are initially recognised at cost and subsequently stated at amortised cost, net of any provisions for credit losses using the effective interest method.

A loan is classified as non-accrual when the principal or interest is 90 days past due. Interest on loans over 90 days past due is no longer accrued and taken to income on an ongoing basis because there is doubt as to the recoverability of the balance.

A loan is classified as impaired when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of the loan.

*Repurchase and reverse repurchase agreements*

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

**3. Significant Accounting Policies (continued)**

**(b) Financial instruments (continued)**

**Policy prior to April 1, 2018 (continued)**

***Investment securities***

All purchases and sales of investment securities that require delivery within the time frame established by regulation or market convention are recognised at trade date.

**(i) *At fair value through profit or loss***

Securities at fair value through profit or loss are trading securities which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit taking exists. Trading securities are initially recognised at cost and subsequently re-measured at fair value based on quoted bid prices at reporting date. Where the instrument is not actively traded or quoted on recognised exchanges, fair value is determined using discounted cash flow analysis. Where discounted cashflow 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.

All related realised and unrealised gains and losses are included in operating income. Interest earned whilst holding trading securities is reported as interest income.

**(ii) *Available-for-sale***

Available-for-sale securities are financial assets that are not financial assets at fair value through profit or loss, originated by the Group or held to maturity. These are initially measured at cost.

After initial recognition, investments which are classified as "available-for-sale" are measured at fair value in the same manner described above, with unrealised gains or losses on revaluation recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative loss or gain previously reported in the unrealised investment reserve is included in the profit or loss.

Any available-for-sale asset that does not have a quoted market price in an active market and where fair value cannot be reliably measured is stated at cost less impairment losses.

**(iii) *Held-to-maturity***

Held-to-maturity assets are other investments which the Group's management has the positive intention and ability to hold to maturity. These investments are carried at amortised cost less impairment losses. Amortised cost is calculated on the effective interest method.

**3. Significant Accounting Policies (continued)**

*(b) Financial instruments (continued)*

**Policy prior to April 1, 2018 (continued)**

***Customers' deposits***

Customers' deposits are the Group's main source of funding. These are classified in accordance with their contractual terms, typically financial liabilities. Customers' deposits are initially measured at cost and subsequently measured at amortised cost using the effective interest method.

***Debt securities in issue***

The Group also uses debt securities as a source of funding. Debt securities in issue are initially measured at fair value which equates to the agreed terms at the issue date minus incremental direct transaction costs and are subsequently measured at amortised cost using the effective interest rate method.

***Financial guarantee contracts and loan commitments***

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

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

- The amount of the loss allowance (calculated as described in note 22(a)(iv); and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

Loan commitments provided by the Group are measured as the amount of the loss allowance (calculated as described in note 22(a)(iv)). The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

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



**3. Significant Accounting Policies (continued)**

*(c) Revenue recognition*

*(i) Interest income and expense*

Interest income and expense are recognised on the accruals basis in profit or loss for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investment and trading securities as well as accrued discount and premium on treasury bills and other instruments. Interest income is reversed when loans are 90 days overdue and considered non-performing.

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

*(ii) Fee and commission income*

Unless included in the effective interest calculation in accordance with IFRS 9, the majority of the Group's fees are transactional in nature and are recognised on an accrual basis as the service is provided. Commissions and fees not integral to the effective interest arising from negotiating or participating in negotiation of a transaction for a third party are recognised on the completion of the underlying transaction.

*(iii) Dividends*

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for quoted equity securities. Dividends are reflected as a component of net trading income, net income on other financial instruments at fair value or other operating income based on the underlying classification of the equity instrument.

*(d) Foreign currency*

Transactions in foreign currencies are initially recorded at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are expressed in Trinidad and Tobago dollars at the rate of exchange ruling on the reporting date. All differences arising are taken to the profit or loss. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

**3. Significant Accounting Policies (continued)**

*(e) Cash and cash equivalents*

Cash and equivalents include notes and coins on hand, deposits held with Central Bank and other financial institutions, which are highly liquid financial assets with less than 90 days to maturity from the date of acquisition, are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

*(f) Related parties*

*(a) Definition of related parties*

A party is related to the Group, if:

- (i) directly, or indirectly through one or more intermediaries, the party:
  - (a) is controlled by, or is under common control with, the Group (this includes parents, subsidiaries and fellow subsidiaries);
  - (b) has a direct or indirect interest in the Group that gives it significant influence; or
  - (c) has joint control over the Group;
- (ii) the party is an associate of the Group;
- (iii) the party is a joint venture in which the company is a venturer;
- (iv) the party is a member of the key management personnel of the Group or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the company.

*(b) Identity of, and transactions and balances with, related parties*

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

The Group has a related party relationship with its directors and key management personnel, representing certain senior officers of the company, its parent company and all their affiliates.

**3. Significant Accounting Policies (continued)**

**(f) Related parties (continued)**

**(b) Identity of, and transactions and balances with, related parties (continued)**

A number of banking transactions are entered into with related parties in the normal course of business. These transactions were carried out on commercial terms and conditions at market rates, except loans to officers (see Note 25).

**(g) Plant and equipment**

Plant and equipment are recorded at cost less accumulated depreciation and impairment losses. Costs subsequent to acquisition are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Depreciation on equipment, which consist of computer hardware, machinery and office equipment, is provided on the reducing balance method at various rates sufficient to write off the assets over their estimated useful lives. Depreciation on leasehold improvements is computed using the straight-line method over the life of the lease, or if shorter, the useful life of the asset.

The rates used are as follows:

Equipment - 10 – 33¼% per annum

The assets residual values and useful lives are reviewed at each reporting date and adjusted if appropriate. Gains and losses on disposal of plant and equipment are determined by comparing proceeds with their carrying amount and are taken into account in determining operating profit.

**(h) Provisions**

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

**(i) Reserve requirements**

In accordance with the provisions of the Financial Institutions Act, 2008, the Bank and Intercommercial Trust and Merchant Bank Limited are required to hold and maintain with the Central Bank of Trinidad and Tobago a cash reserve balance equivalent to 17% and 9%, respectively, of total prescribed liabilities.

**3. Significant Accounting Policies (continued)**

*(i) Reserve requirements (continued)*

The Central Bank of Trinidad and Tobago mandated that the Bank maintain an interest bearing Secondary Reserve of 2% of total prescribed liabilities along with fixed rate term deposits with tenors of one year each. This requirement was subsequently removed effective August 2018.

*(j) Statutory reserve fund*

In accordance with the Financial Institutions Act, 2008, the Bank and its subsidiary are required to transfer at the end of each financial year no less than 10% of their net income after tax to a statutory reserve fund until the amount standing to the credit of the statutory reserve fund is not less than their paid-up capital.

*(k) Leases – where the Group is the lessee*

Leases entered into by the Group are all operating leases. Payments made under operating leases are charged to the profit or loss on a straight-line basis over the period of the lease.

When the operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of a penalty is recognised as an expense in the period in which termination takes place.

*(l) Employee benefits*

*(i) Short-term*

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

Employee benefits that are earned as a result of past or current service are recognised in the following manner: short-term employee benefits are recognised as a liability, net of payments made, and charged as expense. Post-employment benefits are accounted for as described below.

## JMMB BANK (T&T) LIMITED

### Notes to the Financial Statements

March 31, 2019

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#### 3. Significant Accounting Policies (continued)

##### *(l) Employee benefits (continued)*

##### *(ii) Post employment*

The Group operates a two tiered defined contribution plan with Guardian Life of the Caribbean Limited, which is in compliance with the provisions of the Income Tax Act of Trinidad & Tobago section 134(6). Under the terms of employment, the Group is obligated to contribute on behalf of all eligible employees an amount of 10% of the employees' pensionable salary directly to the Company's plan.

In addition, all eligible employees contribute an amount of 5% of their pensionable salary to individual annuities.

The Group's contribution expense to this Plan is charged to the profit or loss in the year to which they relate. For the current financial year, March 31, 2019, the Group's contributions amounted to \$3.0 million (2018: \$2.9 million).

##### *(m) Taxation*

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

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

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.

A deferred tax asset is recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. 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.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset only if certain criteria are met.

**3. Significant Accounting Policies (continued)**

*(n) Earnings per share*

Earnings per share has been computed by dividing the net profit attributable to ordinary shareholders, by the weighted average number of ordinary shares in issue during the year.

*(o) Impairment of non-financial assets*

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. The 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.

*(p) Other assets and liabilities*

Other assets and liabilities, not classified as financial instruments, are initially recognised and subsequently measured at amortised cost in the statement of financial position with relevant costs recognised in profit or loss.

*(q) Acceptances, guarantees and letters of credit*

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss that occurs because a specified debtor failed to make payments in accordance with the terms of a debt instrument.

The Group's commitments under acceptances, guarantees and letters of credit have been excluded from these financial statements because they do not meet the criteria for recognition. These commitments as at March 31, 2019 totalled \$9.735 million (2018: \$10.349 million). In the event of a call on these commitments, the Group has equal and offsetting claims against its customers.

*(r) General loss reserve*

The general loss reserve is a non-distributable reserve and has been established by the Group based on the Guidelines on Measurement, Monitoring and Control of Impaired Assets issued by the Central Bank of Trinidad and Tobago.

# JMMB BANK (T&T) LIMITED

## Notes to the Financial Statements

March 31, 2019

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### 3. Significant Accounting Policies (continued)

#### (r) General loss reserve (continued)

The reserve is created through an appropriation of retained earnings and is calculated as a percentage of the loan portfolio that is not individually assessed for provisions or impairment as at the end of the financial year.

However, with the Group's implementation of IFRS 9 effective April 1, 2018 management has determined that this reserve is no longer required and the balance was released to retained earnings during the financial year.

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

- The Group has initially adopted IFRS 9 and IFRS 15 from 1 April 2018. A number of other new standards are also effective from 1 April 2018 but they do not have a material effect on the Group's financial information.
- Due to the transition method chosen by the Group in applying IFRS 9, comparative information throughout these financial statements has not generally been restated to reflect its requirements. Consequently, the related accounting policies from 2018 are not consistent with those presented for 2019.
- Amendments to IAS 12, *Income Taxes*, clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transactions that generated the distributable profits – i.e. in profit or loss, OCI or equity.
- Amendments to IAS 23, *Borrowing Costs*, clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that are intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool. The changes are to be applied prospectively to borrowing costs incurred on or after the date an entity adopts the amendments.

**3. Significant Accounting Policies (continued)**

*(i) New standards, amendments and interpretations not yet effective*

There are a number of accounting standards that have been issued by the International Accounting Standards Board (IASB), but which are not yet effective for the year ended March 31, 2019. The Group does not plan on early adoption of these standards, these include:

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

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

Early adoption is permitted if IFRS 15, *Revenue from Contracts with Customers* is also adopted.

- IFRIC 23 *Uncertainty over Tax Treatments*, which is effective for annual reporting periods beginning on or after January 1, 2019, clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst aiming to enhance transparency. IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about:
  - judgements made;
  - assumptions and other estimates used; and
  - the potential impact of uncertainties that are not reflected.
- Amendments to IFRS 9, *Prepayment Features with Negative Compensation*, which is effective for annual reporting periods beginning on or after January 1, 2019, removes the word "additional" so that negative compensation may be regarded as "reasonable compensation" irrespective of the cause of the early termination. Financial assets with these prepayment features can therefore be measured at amortised cost or at FVOCI if they meet the other relevant requirements of IFRS 9. Retrospective application is required, subject to relevant transitional reliefs.



**3. Significant Accounting Policies (continued)**

*(t) New standards, amendments and interpretations not yet effective*

The Board clarified that IFRS 9 (as issued in 2014) requires the Group to:

- recalculate the amortised cost of the modified financial liability by discounting the modified contractual cash flows using the original effective interest rate (EIR); and
- recognize any adjustment to profit or loss.

The accounting treatment is therefore consistent with that required for modifications of financial assets that do not result in derecognition. If the initial application of IFRS 9 results in a change in accounting policy for these modifications or exchanges, then retrospective application is required, subject to transitional reliefs.

- Annual Improvements to IFRS Standards 2015-2017 Cycle, which is effective for annual reporting periods beginning on or after January 1, 2019:
  - Amendments to IFRS 3, *Business Combinations* and IFRS 11, *Joint Arrangements*, clarifies how a company accounts for increasing its interest in a joint operation that meets the definition of a business. The amendments also provide further guidance on what constitutes the previously held interest. This is the entire previously held interest in the joint operation.
  - Amendments to IAS 12, *Income Taxes*, clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transactions that generated the distributable profits – i.e. in profit or loss, OCI or equity.
  - Amendments to IAS 23, *Borrowing Costs*, clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that are intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool. The changes are to be applied prospectively to borrowing costs incurred on or after the date an entity adopts the amendments.

**3. Significant Accounting Policies (continued)**

*(t) New standards, amendments and interpretations not yet effective (continued)*

- ◆ Amendments to Reference to Conceptual Framework in IFRS Standards, which is effective for annual reporting periods beginning on or after January 1, 2020, is a comprehensive revision of the existing framework. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures. Most of the concepts are not new, the revised framework codifies the IASB's thinking adopted in recent standards. Some areas such as the distinction between liabilities and equity have been removed from the revised Framework, and are being dealt with in separate projects.

*(u) Comparative information*

Certain changes in presentation have been made in these financial statements. These changes had no effect in the operating results or profit after tax on the Group for the previous year.

**JMMB BANK (T&T) LIMITED**

## Notes to the Financial Statements

March 31, 2019

**4. Loans and Advances to Customers**

Separate			Consolidated	
2018	2019		2019	2018
\$'000	\$'000		\$'000	\$'000
961,643	1,148,448	Performing loans	1,178,113	972,090
94,628	60,873	Past due but not impaired	60,873	94,628
87,242	53,618	Impaired loans	53,862	87,242
1,143,513	1,262,939	Gross loans and advances	1,292,848	1,153,960
<u>(12,425)</u>	<u>(32,525)</u>	Impairment loss allowance	<u>(33,192)</u>	<u>(12,425)</u>
<b>1,131,088</b>	<b>1,230,414</b>	Total loans, net of impairment loss allowance	<b>1,259,656</b>	<b>1,141,535</b>
<i>Concentration of gross loans</i>				
436,524	498,737	Retail	528,646	438,678
706,989	764,202	Commercial and corporate	764,202	715,282
<u>1,143,513</u>	<u>1,262,939</u>		<u>1,292,848</u>	<u>1,153,960</u>

**5. Investment Securities**

Separate			Consolidated	
2018	2019		2019	2018
\$'000	\$'000		\$'000	\$'000
<u>35,834</u>	<u>66,020</u>	(a) Fair value through profit or loss (FVTPL)		
		- Corporate securities	<u>66,096</u>	<u>38,807</u>
280,320	-	(b) Investments at fair value through OCI (FVOCI)/Available-for-sale (AFS)		
-	405,773	- Government bonds-AFS	-	280,706
1,553	-	- Government bonds-FVOCI	406,137	-
-	1,555	- Equity-AFS	-	1,553
153,416	-	- Equity-FVOCI	1,555	-
-	204,529	- Corporate securities-AFS	-	153,416
<u>435,289</u>	<u>611,857</u>	- Corporate securities-FVOCI	<u>204,529</u>	<u>-</u>
		(c) Held to maturity		
<u>3,000</u>	<u>-</u>	- Government bonds	<u>-</u>	<u>3,000</u>
<b>474,123</b>	<b>677,877</b>		<b>678,317</b>	<b>477,482</b>

**JMMB BANK (T&T) LIMITED**

Notes to the Financial Statements

March 31, 2019

**6. Impairment Losses**

<b>Separate</b>			<b>Consolidated</b>	
<b>2018</b>	<b>2019</b>		<b>2019</b>	<b>2018</b>
<b>\$'000</b>	<b>\$'000</b>		<b>\$'000</b>	<b>\$'000</b>
<i><b>Movement of impairment losses</b></i>				
9,026	12,425	Balance at beginning of year	12,425	9,026
-	16,875	Restated (see note below)	17,509	-
-	(125)	Loans written off	(125)	-
<u>3,399</u>	<u>3,350</u>	Impairment loss for the year	<u>3,383</u>	<u>3,399</u>
<u>12,425</u>	<u>32,525</u>	Balance at end of year	<u>33,192</u>	<u>12,425</u>
<i><b>Net Impairment losses</b></i>				
3,399	3,350	Impairment loss on loans and Advances to customers	3,383	3,399
-	(41)	Impairment loss on investments at FVOCI	(37)	-
<u>(340)</u>	<u>(22)</u>	Recoveries	<u>(22)</u>	<u>(340)</u>
<u>3,059</u>	<u>3,287</u>		<u>3,324</u>	<u>3,059</u>

Note: Restated refers to the reclassification and re-measurement of loans from IAS 39 to IFRS 9.

**7. Other Assets**

<b>Separate</b>			<b>Consolidated</b>	
<b>2018</b>	<b>2019</b>		<b>2019</b>	<b>2018</b>
<b>\$'000</b>	<b>\$'000</b>		<b>\$'000</b>	<b>\$'000</b>
11,205	15,341	Accrued interest income on loans and investments	16,031	11,253
6,466	5,414	Receivables	5,537	6,384
<u>4,174</u>	<u>3,481</u>	Prepayments	<u>3,703</u>	<u>4,233</u>
<u>21,845</u>	<u>24,236</u>		<u>25,271</u>	<u>21,870</u>

**JMMB BANK (T&T) LIMITED**

Notes to the Financial Statements

March 31, 2019

**8. Deferred Tax (Asset) Liability**

Separate			Consolidated	
2018	2019		2019	2018
\$'000	\$'000		\$'000	\$'000
		(i) The deferred tax (asset) liability is attributable to the following items:		
		<i>Deferred tax liability</i>		
49	38	Deferred fees	18	21
669	335	Accelerated tax depreciation	515	686
<u>428</u>	<u>173</u>	Unrealised gain on FVOCI investments	<u>173</u>	<u>428</u>
<u>1,146</u>	<u>546</u>		<u>706</u>	<u>1,135</u>
		<i>Deferred tax asset</i>		
(5)	(7)	Unrealised loss on FVTPL investments	(7)	(5)
<u>-</u>	<u>-</u>	Tax losses	<u>(1,373)</u>	<u>-</u>
<u>(5)</u>	<u>(7)</u>		<u>(1,380)</u>	<u>(5)</u>
		(ii) The movement in the deferred tax account comprised:		
(719)	1,141	Balance at beginning of year	1,130	(680)
		<i>Amounts recognised in OCI</i>		
		Investments at FVOCI		
1,576	(254)	re-measurement	(254)	1,523
		<i>Amounts recognised in profit or loss</i>		
284	(348)	Current deferred tax charge	(177)	287
<u>-</u>	<u>-</u>	Tax losses	<u>(1,373)</u>	<u>-</u>
<u>1,141</u>	<u>539</u>	Balance at year end	<u>(674)</u>	<u>1,130</u>

**JMMB BANK (T&T) LIMITED**

## Notes to the Financial Statements

March 31, 2019

**9. Plant and Equipment****Consolidated 2019**

	<b>Capital Work- in-Progress</b>	<b>Leasehold Improvements</b>	<b>Equipment</b>	<b>2019 Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Year ended March 31, 2019</b>				
Opening net book value	389	11,639	13,168	25,196
Transfer from WIP	(2,347)	173	2,174	-
Additions	3,595	99	2,470	6,164
Disposals	-	-	(92)	(92)
Depreciation charge	-	(1,734)	(3,281)	(5,015)
Closing net book value	<u>1,637</u>	<u>10,177</u>	<u>14,439</u>	<u>26,253</u>
<b>Year ended March 31, 2019</b>				
Cost	1,637	26,835	66,729	95,201
Accumulated depreciation	-	(16,658)	(52,290)	(68,948)
Net book value	<u>1,637</u>	<u>10,177</u>	<u>14,439</u>	<u>26,253</u>

**Consolidated 2018**

	<b>Capital work- in-progress</b>	<b>Leasehold Improvements</b>	<b>Equipment</b>	<b>2018 Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Year ended March 31, 2018</b>				
Opening net book value	406	12,301	14,992	27,699
Transfer from WIP	(189)	-	189	-
Additions	172	818	1,567	2,557
Adjustments	-	-	(31)	(31)
Disposals	-	-	(7)	(7)
Depreciation charge	-	(1,480)	(3,542)	(5,022)
Closing net book value	<u>389</u>	<u>11,639</u>	<u>13,168</u>	<u>25,196</u>
<b>Year ended March 31, 2018</b>				
Cost	389	26,563	63,105	90,057
Accumulated depreciation	-	(14,924)	(49,937)	(64,861)
Net book value	<u>389</u>	<u>11,639</u>	<u>13,168</u>	<u>25,196</u>

**JMMB BANK (T&T) LIMITED**

## Notes to the Financial Statements

March 31, 2019

**9. Plant and Equipment (continued)****Separate 2019**

	<b>Capital Work-Leasehold</b>			<b>2019</b>
	<b>in-Progress</b>	<b>Improvements</b>	<b>Equipment</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Year ended March 31, 2019</b>				
Opening net book value	355	11,639	13,070	25,064
Transfer from WIP	(784)	-	784	-
Additions	2,018	-	941	2,959
Depreciation charge	-	(1,709)	(3,065)	(4,774)
Closing net book value	<u>1,589</u>	<u>9,930</u>	<u>11,730</u>	<u>23,249</u>
<b>Year ended March 31, 2019</b>				
Cost	1,589	26,563	63,810	91,962
Accumulated depreciation	-	(16,633)	(52,080)	(68,713)
Net book value	<u>1,589</u>	<u>9,930</u>	<u>11,730</u>	<u>23,249</u>

**Separate 2018**

	<b>Capital work- Leasehold</b>			<b>2018</b>
	<b>in-progress</b>	<b>Improvements</b>	<b>Equipment</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Opening net book value	406	12,301	14,875	27,582
Transfer from WIP	(189)	-	189	-
Additions	138	818	1,567	2,523
Adjustments	-	-	(31)	(31)
Disposals	-	-	(7)	(7)
Depreciation charge	-	(1,480)	(3,523)	(5,003)
Closing net book value	<u>355</u>	<u>11,639</u>	<u>13,070</u>	<u>25,064</u>
Cost	355	26,563	62,084	89,002
Accumulated depreciation	-	(14,924)	(49,014)	(63,938)
Net book value	<u>355</u>	<u>11,639</u>	<u>13,070</u>	<u>25,064</u>

As at March 31, 2019 the Group's capital commitments were \$1,176,000 (2018: NIL).

**JMMB BANK (T&T) LIMITED**

## Notes to the Financial Statements

March 31, 2019

**10. Customer Deposits**

Separate			Consolidated	
2018	2019		2019	2018
\$'000	\$'000		\$'000	\$'000
680,787	728,046	Savings	728,046	680,787
298,459	347,602	Demand	347,602	298,459
<u>779,266</u>	<u>988,362</u>	Time deposits	<u>988,588</u>	<u>779,490</u>
<u>1,758,512</u>	<u>2,064,010</u>		<u>2,064,236</u>	<u>1,758,736</u>
<b>Sectoral Analysis</b>				
72,876	86,325	State enterprises	86,325	72,876
1,088,909	1,320,043	Corporate and commercial	1,320,043	1,088,909
<u>596,727</u>	<u>657,642</u>	Personal	<u>657,868</u>	<u>596,951</u>
<u>1,758,512</u>	<u>2,064,010</u>		<u>2,064,236</u>	<u>1,758,736</u>

**11. Repurchase Agreement**

During the financial year the Parent entered into a repurchase agreement which is collateralised by certain investment securities held by the Company, the carrying value of these investment securities as at March 31, 2019 was \$99.494 million (2018: NIL). The maturity date of the repurchase agreement is November 26, 2019 at a rate of 4.189%.

**12. Other Liabilities and Accruals**

Separate			Consolidated	
2018	2019		2019	2018
\$'000	\$'000		\$'000	\$'000
3,728	5,178	Interest accrued on deposits	5,249	3,729
30,821	23,063	Items in the process of settlement	23,063	30,821
<u>9,936</u>	<u>16,468</u>	Other payables and accruals	<u>17,246</u>	<u>10,239</u>
<u>44,485</u>	<u>44,709</u>		<u>45,558</u>	<u>44,789</u>



**JMNB BANK (T&T) LIMITED**

Notes to the Financial Statements

March 31, 2019

**13. Debt Securities in Issue**

Separate			Consolidated	
2018	2019		2019	2018
\$'000	\$'000		\$'000	\$'000
80,000	100,000	Balance at beginning of year	100,000	80,000
20,000	-	Additions	-	20,000
<u>100,000</u>	<u>100,000</u>	Balance at end of year	<u>100,000</u>	<u>100,000</u>

The Parent originally issued subordinated debt of \$80 million during the financial year 2015 for a term of eight (8) years at a fixed rate of 4.50% and with principal due at maturity. During the financial year investors agreed to extend the tenor of the debt to 2027 with the interest rate increasing to 5%.

**14. Stated Capital**

Separate			Consolidated	
2018	2019		2019	2018
\$'000	\$'000		\$'000	\$'000
		<i>Authorised</i>		
		An unlimited number of ordinary shares of no par value		
		<i>Issued and fully paid up shares</i>		
		107,630,756 ordinary shares of no par value		
<u>107,631</u>	<u>107,631</u>	(2018: 107,630,756 ordinary shares)	<u>107,631</u>	<u>107,631</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings at the Bank. All ordinary shares rank equally with regard to the Bank's residual assets.

**15. Interest Income calculated using effective interest method**

Separate			Consolidated	
2018	2019		2019	2018
\$'000	\$'000		\$'000	\$'000
83,881	95,391	Interest from loans and advances	98,190	84,862
16,455	20,423	Interest from investment securities	20,370	16,498
66	35	Other interest income	35	66
<u>100,402</u>	<u>115,849</u>		<u>118,595</u>	<u>101,426</u>

# JMMB BANK (T&T) LIMITED

## Notes to the Financial Statements

March 31, 2019

### 16. Interest Expense

Separate			Consolidated	
2018	2019		2019	2018
\$'000	\$'000		\$'000	\$'000
13,900	20,538	Interest on customers' deposits	20,510	13,901
3,684	4,893	Interest expense on debt securities	4,893	3,684
-	983	Interest expense on repurchase agreement	983	-
66	35	Other interest expense	-	-
<u>17,650</u>	<u>26,449</u>		<u>26,386</u>	<u>17,585</u>

### 17. Operating Expenses

Separate			Consolidated	
2018	2019		2019	2018
\$'000	\$'000		\$'000	\$'000
51,717	60,767	Staff costs	64,452	51,842
5,003	4,774	Depreciation	5,015	5,021
7,432	7,832	Operating lease rentals (Note 18)	8,537	7,648
2,027	2,567	Advertising and marketing	3,100	2,027
370	359	Bank charges	360	371
6,634	6,290	Property expenses	6,602	6,634
4,829	5,341	IT costs	5,521	4,894
4,029	3,659	Professional fees	4,029	4,206
3,023	3,199	Regulatory costs	3,312	3,143
<u>12,817</u>	<u>11,770</u>	Other operating expenses	<u>12,547</u>	<u>12,982</u>
<u>97,881</u>	<u>106,558</u>		<u>113,475</u>	<u>98,768</u>

### 18. Operating Leases

Separate			Consolidated	
2018	2019		2019	2018
\$'000	\$'000		\$'000	\$'000
58,996	48,177	The total of future minimum lease payments under non-cancellable Operating leases	54,867	58,996
		<i>The maturity profile of leases is as follows:</i>		
9,125	7,779	Less than one year	9,401	9,125
35,609	28,381	Between one year and five years	33,449	35,609
14,262	12,017	Greater than five years	12,017	14,262
<u>58,996</u>	<u>48,177</u>		<u>54,867</u>	<u>58,996</u>
<u>7,432</u>	<u>7,832</u>	The lease payments recognised in profit or loss for the year	<u>8,537</u>	<u>7,648</u>

**JMMB BANK (T&T) LIMITED**

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**19. Taxation**

Separate			Consolidated	
2018	2019		2019	2018
\$'000	\$'000		\$'000	\$'000
385	379	<b>Current taxation:</b>		
4,257	10,469	Green Fund levy	387	387
(370)	1,154	Corporation tax	10,469	4,402
284	(348)	Changes in estimates related to prior years	1,252	(388)
		Deferred tax (Note 8)	(1,550)	287
<u>4,556</u>	<u>11,654</u>		<u>10,558</u>	<u>4,688</u>

Separate			Consolidated	
2018	2019		2019	2018
\$'000	\$'000		\$'000	\$'000
		<i>Reconciliation between the tax expense and the accounting profit multiplied by the applicable tax rate:</i>		
<u>13,048</u>	<u>30,383</u>	Profit before taxation	<u>26,858</u>	<u>13,493</u>
4,567	10,634	Tax calculated at statutory tax rate of 35%	9,400	4,723
(384)	(674)	Net income not assessable for tax	(674)	(391)
385	379	Green Fund levy	387	387
(370)	1,154	Prior year tax under (over) provision	1,252	(388)
284	161	Other permanent differences	193	284
74	-	Effect of increase in tax rate	-	73
<u>4,556</u>	<u>11,654</u>		<u>10,558</u>	<u>4,688</u>
<u>35%</u>	<u>38%</u>	Effective tax rate	<u>39%</u>	<u>35%</u>

**20. Contingent Liabilities**

As at March 31, 2019, there was one legal proceeding outstanding against the Group. Based on legal advice, the directors do not expect the outcome of that action to have material impact on the Group's financial position and as such no provisions were required (2018: NIL).

# JMMB BANK (T&T) LIMITED

## Notes to the Financial Statements

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### 21. Credit Commitments

The Group's commitments of a credit nature are as follows:

Separate			Consolidated	
2018	2019		2019	2018
\$'000	\$'000		\$'000	\$'000
		<b>Credit Commitments</b>		
		Undrawn commitments for loans and advances		
<u>15,263</u>	<u>108,942</u>		<u>108,942</u>	<u>15,263</u>
		Loans and advances approved pending finalisation of documents		
<u>79,282</u>	<u>79,995</u>		<u>79,995</u>	<u>79,282</u>

### 22. Financial Risk Management

#### Introduction and overview

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

- Credit Risk
- Settlement Risk
- Liquidity Risk
- Market Risk
- Operational Risk

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

#### *Risk Governance*

The Board of Directors (the Board) has overall responsibility for the establishment and oversight of the Group's Risk Management Framework. The Board has delegated responsibilities to various sub committees for the areas of Credit, Internal Audit and Risk Management. These Board sub committees currently employ an integrated Enterprise Risk Management Framework supported by three Management Committees in order to ensure the maximization of shareholders value within the Group's risk appetite. The Management Credit Committee, Asset and Liability Committee (ALCO), and Operational Risk Management Committee (ORMC), are responsible for the development and monitoring of the Group's Risk Management policies in their specified areas. All Board committees are non-executive members and report regularly to the Board.

**22. Financial Risk Management (continued)***Risk Management Framework (continued)*

The Group's Risk Management policies, as approved by Board, establish a framework for identification, analysis and measurement of the risks faced by the Group, setting of appropriate risk limits and controls, as well as the monitoring of risks and adherence to limits through the Enterprise Risk Dashboard. Risk Management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to continuously develop a disciplined and constructive control environment, in which all team members understand their roles and obligations.

The Group's Board, Audit and Risk Committees are responsible for monitoring compliance with the Group's Risk Management policies and procedures and for reviewing the adequacy of the Enterprise Risk Management Framework in relation to the risks faced by the Group in keeping with the risk appetite. The Group Audit and Risk Committees are assisted in these functions by Internal Audit and Risk Departments. Internal Audit undertakes both planned and special reviews of risk management controls and procedures, the results of which are reported quarterly to the Board Audit committee.

*(a) Credit risk*

Credit risk is the risk of financial loss to the Group and arises principally from the Group's loans and advances to customers and other banks and investment debt securities if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as the individual obligor, the obligor risk group and the obligor risk rating, country and sector risk).

*Management of credit risk*

The Board has delegated responsibility for the management of credit risk to its Board Credit Committee, the Management Credit Committee and individual Team Members as deemed necessary. A separate Group Credit Risk department, reporting to the Chief Risk Officer, is responsible for oversight of the Group's credit risk, including:

- *Formulating credit policies* in consultation with business units, covering credit assessment, risk grading and reporting, collateral requirements, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- *Establishing the authorisation structure* for the approval and renewal of credit facilities. Authorisation limits, as approved by the Board, are allocated on an individual and/or committee basis which includes the Board Credit Committee, and the Management Credit Committee. Approval under each committee is based on delegated authority level as approved by the Board.

**22. Financial Risk Management (continued)**

*(a) Credit risk (continued)*

*Management of credit risk (continued)*

- *Reviewing and assessing credit risk.* Group Credit Risk assesses credit exposures prior to facilities being approved and committed to customers by the business unit concerned. Renewals and requests for new facilities are subject to the same assessment.
- *Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances), and by obligor/issuer, credit rating band and exposure by country (for investment securities).*
- *Developing and maintaining the Group's risk rating systems and guidelines is an integral part of the credit appraisal process. Each borrower under the business banking credit categories has to be risk rated in accordance with the model recommended by the Group Risk Unit and approved by the Board. The risk rating assigned is reviewed annually or earlier as appropriate. The risk rating model takes into account the risk relating to management, the business, collateral security, financial performance and transactional data. In the case of credit facilities to consumers a scoring model is used in the appraisal process. The risk rating or credit score of the obligor reflects the level of risk associated with the exposure and is the main driver in pricing.*
- *Reviewing compliance with agreed exposure limits, including those for selected industries, country and cross border risk and product types. Regular reports are provided by Group Credit Risk Unit to the Management Credit Committee, the Board Credit Committee and the Board Risk Committee on the credit quality of the Group's portfolios and where necessary appropriate corrective action is taken.*
- *Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.*

Each business unit is required to implement the Group's credit policies and procedures, with credit approval authorities delegated to the Board Credit Committee, the Management Credit Committees and Credit Risk Officers. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios.

Regular audits of business units and Group Credit processes are undertaken by Internal Audit.

**22. Financial Risk Management (continued)**

*(a.i) Credit risk measurement*

**1. Financial Assets**

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 Group 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. Refer to note 22.a.i.1 for more details.

*Credit risk grading*

The Group uses internal credit risk grading that reflects its assessment of the probability of default of individual counterparties. The Group uses internal rating models tailored to the various categories of counterparty. Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral for retail exposures; and 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 the Credit Risk Officer 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. In addition, exposure to credit risk is managed in part by obtaining collateral and corporate and personal guarantees and for the treasury portfolio by investing in liquid securities with counterparties that have high credit quality.

The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade. For example, this means that the difference in the PD between an A and A- rating grade is lower than the difference in the PD between a B and B- rating grade.

The following are additional considerations for each type of portfolio held by the Group:

*Retail:*

After the date of initial recognition, for retail business, the payment behaviour of the borrower is monitored on a periodic basis to develop a behavioural score. Any other known information about the borrower which impacts their creditworthiness - such as unemployment and previous delinquency history - is also incorporated into the behavioural score. This score is mapped to a PD.

**22. Financial Risk Management (continued)**

*(a.i) Credit risk measurement*

**1. Financial Assets**

*Commercial & Corporate*

For Commercial and Corporate business, the rating is determined at the borrower level. A relationship manager will incorporate any updated or new information/credit assessments into the credit system on an ongoing basis. In addition, the relationship manager will also update information about the creditworthiness of the borrower on an annual basis from sources such as financial statements. This will determine the updated internal credit rating and PD.

*Treasury*

For debt securities in the Treasury portfolio, external rating agency credit grades are used. These published grades are continuously monitored and updated. The PD's associated with each grade are determined based on realised default rates over the prior 12 months, as published by the rating agency.

*(a.ii.1) 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 Group.
- 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. Please refer to table below for a description of how the Group determines when a significant increase in credit risk has occurred.
- 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. Please refer to note 22(a)(ii)(3) for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward- looking information. Note 22(a)(ii)(4) includes an explanation of how the Group has incorporated this in its ECL models





**22. Financial Risk Management (continued)**

**(a.ii.1) 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 Group in addressing the requirements of the standard are discussed below:

**Significant increase in credit risk (SICR)**

The Group considers that there is a significant increase in credit risk for its loans portfolio no later than when a loan is more than 30 days past due or any two-notch downgrade in its internal ratings. The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors lined to the Group's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This is the case for exposures that meet certain heightened risk criteria such as placement on a watch list.

The Group considers that there is a significant increase in credit risk for its investment portfolio when there is a decrease in credit rating as follows: a three-notch downgrade from investment grade to non-investment grade (below BBB-); a two-notch downgrade within or outside the BB/B bucket or a one-notch downgrade within or outside the B-, CCC, CC and C buckets.

Financial instruments for which is determined that there is a significant increase in credit risk are transferred from stage 1 to stage 2 and impairment loss is measured based on lifetime expected credit loss.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL.

**22. Financial Risk Management (continued)**

*(a.ii.1) Expected credit loss measurement (continued)*

**Significant increase in credit risk (SICR) (continued)**

Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Group determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently.

When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

Movements (credit rating deteriorations) within the investment grade (IG) classification will not be deemed as a SICR. Based on the internal model we have developed, the fitted Sovereign PDs for IG ranges from 0.01% to 0.35% will not recognize as a significant deterioration in credit quality.

*(a.ii.2) Definition of default and credit-impaired assets*

The Group considers both quantitative and qualitative factors in determining whether a financial asset is in default, examples of these include:

- The borrower is more than 90 days past due on its obligation to the Group.
- A decrease in internal rating beyond specific rating thresholds.
- The borrower is unlikely to pay its obligation to the Group in full, without recourse by the Group to actions such as realizing security. This may arise from instances such as bankruptcy, long-term forbearance, insolvency, breach of financial covenants, death and restructuring.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Financial assets classified as 'default' are transferred to stage 3 and impairment loss is measured based on lifetime expected credit losses.

**22. Financial Risk Management (continued)***(a.ii.3) 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 Group 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 Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- Loss Given Default (LGD) represents the Group'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). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.
- 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.

**22. Financial Risk Management (continued)**

*(a.ii.3) Measuring ECL - Explanation of inputs, assumptions and estimation techniques (continued)*

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

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment/refinance assumptions are also incorporated into the calculation.
- 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 Group'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. These LGD's are influenced by collection strategies, including contracted debt sales and price.
- Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type. Refer to note 22(a)(ii)(4) for an explanation of forward-looking information and its inclusion in ECL calculations.
- The assumptions underlying the ECL calculation - such as how the maturity profile of the PDs and how collateral values change etc. - are monitored and reviewed on a quarterly basis.
- There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

**22. Financial Risk Management (continued)**

*(a.ii.4) Forward-looking information incorporated in the ECL models*

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. Based on the analysis performed on different macro-economic variables, knowledge of the business and risk profile of the industry, for its loans portfolio the Group considers Real GDP growth as the main macro-economic factor that has significant influence over the portfolio quality. Macroeconomic adjustment has been applied to the PD in the Group's model however no impact on the LGD is considered due to limitation of data.

Given the size of JMMB Group's investment portfolio and the instruments contained within, the approach that management has adopted a scorecard approach. This approach considers several macroeconomic indicators that are available and uses a duplicable process to apply forward-looking information. The Caribbean faces unique challenges with regard to the availability of data. There are only a few macroeconomic indicators which are updated with timely information and for which forecasts are available and the Group has selected the following indicators:

- Debt to GDP
- Current account to GDP
- GDP growth
- Net International Reserves
- Annual inflation rate

Management performs a trend analysis and compares the historical information with the available forecasted data to determine whether the indicator represents a positive, negative, or stable trend. Each trend (positive, negative, stable) has a multiplier attached based on economic evidence of the losses incurred by financial institutions during each trend period. The weightings of the various macroeconomic indicators are determined using management's expert judgement and are multiplied by the applicable multiplier based on the trend of the individual indicator.

Management then determines 3 scenario as being base, upside, and downside using expert judgment of the overall economic conditions and business environment within the jurisdiction. The base scenario is always given the highest weighting as it is based upon third party forecasted information and is the most likely scenario to occur. The upside and downside scenarios are then weighted accordingly per management's expert judgment.

**JMMB BANK (T&T) LIMITED**

## Notes to the Financial Statements

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**22. Financial Risk Management (continued)***(a.ii) Maximum exposure to credit risk*

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 Group's maximum exposure to credit risk on these assets.

**Loans****Consolidated**

	2019			2018	
	Stage 1	Stage 2	Stage 3	Total	Total
	12 month	Lifetime	Lifetime		
ECL	ECL	ECL	ECL	Total	
	\$'000	\$'000	\$'000	\$'000	\$'000
Standard monitoring	1,049,651	1,819	-	1,051,470	931,587
Special monitoring	-	187,516	-	187,516	134,794
Default	-	-	53,862	53,862	87,579
Gross carrying amount	1,049,651	189,335	53,862	1,292,848	1,153,960
Loss allowance	(10,763)	(9,752)	(12,677)	(33,192)	(12,425)
Carrying amount	1,038,888	179,583	41,185	1,259,656	1,141,535

**Separate**

	2019			2018	
	Stage 1	Stage 2	Stage 3	Total	Total
	12 month	Lifetime	Lifetime		
ECL	ECL	ECL	ECL	Total	
	\$'000	\$'000	\$'000	\$'000	\$'000
Standard monitoring	1,021,805	-	-	1,021,805	921,140
Special monitoring	-	187,516	-	187,516	134,794
Default	-	-	53,618	53,618	87,579
Gross carrying amount	1,021,805	187,516	53,618	1,262,939	1,143,513
Loss allowance	(10,373)	(9,719)	(12,433)	(32,525)	(12,425)
Carrying amount	1,011,432	177,797	41,185	1,230,414	1,131,088

**JMMB BANK (T&T) LIMITED**

## Notes to the Financial Statements

March 31, 2019

**22. Financial Risk Management (continued)**
*(a.iii) Maximum exposure to credit risk*
**Investments**
**Consolidated**

	2019			2018	
	Stage 1	Stage 2	Stage 3	Total	Total
	12 month	Lifetime	Lifetime		
ECL	ECL	ECL	\$'000	\$'000	
Investment grade	590,283	-	-	590,283	415,621
Watch	20,383	-	-	20,383	21,501
Carrying amount	610,666	-	-	610,666	437,122

**Separate**

	2019			2018	
	Stage 1	Stage 2	Stage 3	Total	Total
	12 month	Lifetime	Lifetime		
ECL	ECL	ECL	\$'000	\$'000	
Investment grade	590,283	-	-	590,283	415,621
Watch	20,019	-	-	20,019	21,115
Carrying amount	610,302	-	-	610,302	436,736

Information on how the Expected Credit Loss (ECL) is measured and how the three stages above are determined is included in note 22(a)(i)(3) 'Expected credit loss measurement'.

*(a.iii.1) Maximum exposure to credit risk - Financial instruments not subject to impairment*

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment under IFRS 9 (e.g. FVTPL):

	Maximum exposure to credit risk	
	Separate	Consolidated
	\$'000	\$'000
Financial assets designated at fair value through profit and loss (FVTPL):		
Debt securities	66,019	66,095
Financial assets at fair value through other comprehensive income (FVOCI)		
Equities	1,555	1,555



**22. Financial Risk Management (continued)**

*(a.iii.2) Collateral and other credit enhancements*

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

The Group 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 and commercial 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 Group's policies regarding 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 Group since the prior period.

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

**Consolidated**

	<u>Gross Exposure</u>	<u>Impairment Allowance</u>	<u>Carrying Amount</u>	<u>Fair Value of Collateral</u>
	\$'000	\$'000	\$'000	\$'000
<b>Credit Impaired assets</b>				
Retail	18,345	(2,926)	15,419	46,700
Corporate/Commercial	35,517	(9,751)	25,766	58,287
<b>Total credit impaired loans</b>	<u>53,862</u>	<u>(12,677)</u>	<u>41,185</u>	<u>104,987</u>

**JMMB BANK (T&T) LIMITED**

## Notes to the Financial Statements

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**22. Financial Risk Management (continued)***(a.iii.2) Collateral and other credit enhancements*

## Separate

	<b>Gross Exposure</b>	<b>Impairment Allowance</b>	<b>Carrying Amount</b>	<b>Fair Value of Collateral</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Credit impaired assets</b>				
Retail	18,101	(2,682)	15,419	46,700
Corporate/Commercial	35,517	(9,751)	25,766	58,287
<b>Total credit impaired loans</b>	<b>53,618</b>	<b>(12,433)</b>	<b>41,185</b>	<b>104,987</b>

*(a.iii.3) Loan to Value (LTV)*

The LTV is a ratio of the amount of the loan against the value of the collateral.

The following table shows the distribution of LTV ratios for the Group's and Separate mortgage credit-impaired portfolio:

<b>Mortgage portfolio - LTV distribution</b>	<b>Credit-impaired (Gross carrying amount)</b>
	<b>\$'000</b>
Lower than 50%	11,795
50 to 60%	5,845
60 to 70%	7,557
70 to 80%	8,832
80 to 90%	978
90 to 100%	2,584
Higher than 100%	<u>7,562</u>
<b>Total</b>	<b><u>45,153</u></b>

*(a.iv) Loss allowance*

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 increases (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 de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;

**JMMB BANK (T&T) LIMITED**

Notes to the Financial Statements

March 31, 2019

**22. Financial Risk Management (continued)**

*(a.iv) Loss allowance (continued)*

- 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.

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

**Consolidated**

**Retail**

	<b>Stage 1 12-month ECL</b>	<b>Stage 2 Lifetime ECL</b>	<b>Stage 3 Lifetime ECL</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Loss allowance as at April 1, 2018</b>	3,813	1,508	1,380	6,701
Movements with P&I. impact	-	-	-	-
Transfers:				
- Transfer from Stage 1 to Stage 2	(112)	423	-	311
- Transfer from Stage 1 to Stage 3	(29)	-	675	646
- Transfer from Stage 2 to Stage 1	154	(32)	-	122
- Transfer from Stage 2 to Stage 3	-	(69)	295	226
- Transfer from Stage 3 to Stage 2	-	3	-	3
New financial assets originated or Purchased	1,562	79	304	1,945
Changes in PDs/LODs/EADs	(1,085)	(180)	521	(744)
Changes to model assumptions and methodologies	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-
Financial assets derecognised during the period	(457)	(876)	(249)	(1,582)
Write-offs	-	-	-	-
<b>Loss allowance as at March 31, 2019</b>	<b>3,846</b>	<b>856</b>	<b>2,926</b>	<b>7,628</b>

**JMMB BANK (T&T) LIMITED**

Notes to the Financial Statements

March 31, 2019

**22. Financial Risk Management (continued)**
*(a.iv) Loss allowance (continued)*
**Separate**

	Stage 1 12-month ECL \$'000	Stage 2 Lifetime ECL \$'000	Stage 3 Lifetime ECL \$'000	Total \$'000
<b>Retail</b>				
Loss allowance as at April 1, 2018	3,706	982	1,380	6,068
Movements with P&L impact	-	-	-	-
Transfers:				
- Transfer from Stage 1 to Stage 2	(112)	423	-	311
- Transfer from Stage 1 to Stage 3	(29)	-	675	646
- Transfer from Stage 2 to Stage 1	154	(32)	-	122
- Transfer from Stage 2 to Stage 3	-	(69)	295	226
- Transfer from Stage 3 to Stage 2	-	3	-	3
New financial assets originated or Purchased	1,172	46	60	1,278
Changes in PDs/LGDs/EADs	(1,085)	(180)	521	(744)
Changes to model assumptions and methodologies	-	-	-	-
Modification of contractual cash flows of financial assets	-	-	-	-
Financial assets derecognised during the period	(350)	(350)	(249)	(949)
Write-offs	-	-	-	-
Loss allowance as at March 31, 2019	<u>3,456</u>	<u>823</u>	<u>2,682</u>	<u>6,961</u>

**JMMB BANK (T&T) LIMITED**

Notes to the Financial Statements

March 31, 2019

**22. Financial Risk Management (continued)**

*(a. iv) Loss allowance (continued)*

<u>Consolidated/Separate Commercial/Corporate</u>	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	\$'000	\$'000	\$'000	\$'000
<b>Loss allowance as at April 1, 2018</b>	5,677	10,882	6,664	23,223
Movements with P&L impact	-	-	-	-
Transfers:				
- Transfer from Stage 1 to Stage 2	(824)	3,305	-	2,481
- Transfer from Stage 1 to Stage 3	(46)	-	158	112
- Transfer from Stage 2 to Stage 1	282	(652)	-	(370)
- Transfer from Stage 2 to Stage 3	-	(15)	530	515
- Transfer from Stage 3 to Stage 2	-	583	(20)	563
-	-	-	-	-
<b>New financial assets originated or Purchased</b>	3,812	48	20	3,880
<b>Changes in PDs/LGDs/EADs</b>	(2,978)	(8,531)	1,634	(9,875)
<b>Changes to model assumptions and methodologies</b>	-	-	-	-
<b>Modification of contractual cash flows of financial assets</b>	-	-	-	-
<b>Financial assets derecognised during the period</b>	993	3,276	766	5,035
<b>Write-offs</b>	-	-	-	-
<b>Loss allowance as at March 31, 2019</b>	<u>6,916</u>	<u>8,896</u>	<u>9,752</u>	<u>25,564</u>

**JMMB BANK (T&T) LIMITED**

## Notes to the Financial Statements

March 31, 2019

**22. Financial Risk Management (continued)***(a.iv) Loss allowance (continued)*

	Stage 1 12-month ECL \$'000	Stage 2 Lifetime ECL \$'000	Stage 3 Lifetime ECL \$'000	Total \$'000
<b>Consolidated</b>				
<b>Treasury</b>				
Loss allowance as at April 1, 2018	668	-	-	668
Movements with P&L impact	-	-	-	-
Transfers:				
- Transfer from Stage 1 to Stage 2	-	-	-	-
- Transfer from Stage 1 to Stage 3	-	-	-	-
- Transfer from Stage 2 to Stage 1	-	-	-	-
- Transfer from Stage 2 to Stage 3	-	-	-	-
- Transfer from Stage 3 to Stage 2	-	-	-	-
New financial assets originated or purchased	168	-	-	168
Changes in PDs/LGDs/EADs	(94)	-	-	(94)
Changes to model assumptions and methodologies	4	-	-	4
Modification of contractual cash flows of financial assets	-	-	-	-
Financial assets derecognised during the period	(116)	-	-	(116)
Write-offs	-	-	-	-
Loss allowance as at March 31, 2019	630	-	-	630

**JMMB BANK (T&T) LIMITED**

Notes to the Financial Statements

March 31, 2019

**22. Financial Risk Management (continued)**

*(a.iv) Loss allowance (continued)*

	Stage 1 12-month ECL \$'000	Stage 2 Lifetime ECL \$'000	Stage 3 Lifetime ECL \$'000	Total \$'000
<b>Separate</b>				
<b>Treasury</b>				
Loss allowance as at April 1, 2018	668	-	-	668
Movements with P&L impact	.	.	-	.
Transfers:				
- Transfer from Stage 1 to Stage 2	-	-	-	.
- Transfer from Stage 1 to Stage 3	-	-	-	.
- Transfer from Stage 2 to Stage 1	-	-	-	.
- Transfer from Stage 2 to Stage 3	-	-	-	.
- Transfer from Stage 3 to Stage 2	-	.	.	.
New financial assets originated or purchased	168	-	-	168
Changes in PDs/LGDs/EADs	(94)	-	-	(94)
Changes to model assumptions and methodologies	-	-	-	-
Modification of contractual cash flows of financial assets	.	.	-	-
Financial assets derecognised during the period	(116)	-	-	(116)
Write-offs	-	.	-	-
Loss allowance as at March 31, 2019	<u>626</u>	<u>.</u>	<u>-</u>	<u>626</u>

**JMMB BANK (T&T) LIMITED**

Notes to the Financial Statements

March 31, 2019

**22. Financial Risk Management** (continued)

*(a.iv) Loss allowance* (continued)

The following tables further explain changes in the gross carrying amount of the retail, commercial and investment portfolios to help explain their significance to the changes in the loss allowance for the same portfolio as discussed above:

	Stage 1 12-month ECL \$'000	Stage 2 Lifetime ECL \$'000	Stage 3 Lifetime ECL \$'000	Total \$'000
<b><u>Consolidated</u></b>				
<b>Retail</b>				
<b>Gross carrying amount as at April 1, 2018</b>	400,138	35,391	11,441	446,970
Transfers:				
• Transfer from Stage 1 to Stage 2	(11,838)	10,029	-	(1,809)
• Transfer from Stage 1 to Stage 3	(5,920)	-	5,840	(80)
• Transfer from Stage 2 to Stage 3	-	(2,189)	1,947	(242)
• Transfer from Stage 3 to Stage 2	-	-	-	-
• Transfer from Stage 2 to Stage 1	4,661	(4,971)	-	(310)
Financial assets derecognised during the period other than write-offs	(45,738)	(18,955)	(546)	(65,239)
New financial assets originated or purchased	175,363	3,686	294	179,343
Paydowns	(29,009)	(346)	(632)	(29,987)
Modification of contractual cash flows of financial assets	-	-	-	-
Changes in interest accrual	-	-	-	-
Write-offs	-	-	-	-
FX and other movements	-	-	-	-
<b>Gross carrying amount as at March 1, 2019</b>	<u>487,657</u>	<u>22,645</u>	<u>18,344</u>	<u>528,646</u>



**JMMB BANK (T&T) LIMITED**

Notes to the Financial Statements

March 31, 2019

**22. Financial Risk Management (continued)**

*(a.iv) Loss allowance (continued)*

	Stage 1	Stage 2	Stage 3	<u>Total</u>
	12-month	Lifetime	Lifetime	
	<u>ECL</u>	<u>ECL</u>	<u>ECL</u>	
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
<b><u>Separate</u></b>				
<b>Retail</b>				
<b>Gross carrying amount</b>				
as at April 1, 2018	395,327	29,755	11,441	436,523
Transfers:				
- Transfer from Stage 1 to Stage 2	(11,838)	10,029	-	(1,809)
- Transfer from Stage 1 to Stage 3	(5,920)	-	5,840	(80)
- Transfer from Stage 2 to Stage 3	-	(2,189)	1,947	(242)
- Transfer from Stage 3 to Stage 2	-	-	-	-
- Transfer from Stage 2 to Stage 1	4,661	(4,971)	-	(310)
Financial assets derecognised during the period other than write-offs	(40,927)	(13,319)	(546)	(54,792)
New financial assets originated or purchased	147,517	1,867	50	149,434
Paydowns	(29,009)	(346)	(632)	(29,987)
Modification of contractual cash flows of financial assets	-	-	-	-
Changes in interest accrual	-	-	-	-
Write-offs	-	-	-	-
FX and other movements	-	-	-	-
<b>Gross carrying amount</b>				
as at March 1, 2019	<u>459,811</u>	<u>20,826</u>	<u>18,100</u>	<u>498,737</u>

**JMMB BANK (T&T) LIMITED**

## Notes to the Financial Statements

March 31, 2019

**22. Financial Risk Management (continued)***(a.iv) Loss allowance (continued)*

	<b>Stage 1 12-month ECL</b>	<b>Stage 2 Lifetime ECL</b>	<b>Stage 3 Lifetime ECL</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Consolidated/Separate</b>				
<b>Corporate/Commercial</b>				
<b>Gross carrying amount as at April 1, 2018</b>	318,803	312,386	75,801	706,990
Transfers:				
- Transfer from Stage 1 to Stage 2	(50,853)	54,828	-	3,975
- Transfer from Stage 1 to Stage 3	(1,847)	-	1,837	(10)
- Transfer from Stage 2 to Stage 3	-	(1,603)	1,405	(198)
- Transfer from Stage 3 to Stage 2	-	(3)	4	1
- Transfer from Stage 2 to Stage 1	30,164	(45,447)	-	(15,283)
Financial assets derecognised during the period other than write-offs	(60,733)	(146,593)	(25,915)	(233,241)
New financial assets originated or purchased	345,434	4,137	27	349,598
Paydowns	(18,973)	(11,015)	(17,642)	(47,630)
Modification of contractual cash flows of financial assets	-	-	-	-
Changes in interest accrual	-	-	-	-
Write-offs	-	-	-	-
FX and other movements	-	-	-	-
<b>Gross carrying amount as at March 1, 2019</b>	<b>561,995</b>	<b>166,690</b>	<b>35,517</b>	<b>764,202</b>

**JMMB BANK (T&T) LIMITED**

Notes to the Financial Statements

March 31, 2019

**22. Financial Risk Management (continued)**

*(a.iv) Loss allowance (continued)*

**Investments (continued)**

	Stage 1 12-month ECL \$'000	Stage 2 Lifetime ECL \$'000	Stage 3 Lifetime ECL \$'000	Purchased Credit Impaired \$'000	Total \$'000
<b><u>Consolidated</u></b>					
<b>Treasury</b>					
Carrying amount as at April 1, 2018	436,736	-	-	-	436,736
Transfers:					
- Transfer from Stage 1 to Stage 2	-	-	-	-	-
- Transfer from Stage 1 to Stage 3	-	-	-	-	-
- Transfer from Stage 2 to Stage 3	-	-	-	-	-
- Transfer from Stage 3 to Stage 2	-	-	-	-	-
- Transfer from Stage 2 to Stage 1	-	-	-	-	-
- Financial assets derecognised	(140,701)	-	-	-	(140,701)
New financial assets originated or purchased	324,779	-	-	-	324,779
Modification of contractual cash flows of financial assets	-	-	-	-	-
Changes to model assumptions and methodologies	364	-	-	-	364
Changes in PDs/LGDs/EADs	(10,512)	-	-	-	(10,512)
Carrying amount as at March 1, 2019	<u>610,666</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>610,666</u>

**JMMB BANK (T&T) LIMITED**

Notes to the Financial Statements

March 31, 2019

**22. Financial Risk Management (continued)**

*(a.iv) Loss allowance (continued)*

**Investments (continued)**

	Stage 1 12-month ECL \$'000	Stage 2 Lifetime ECL \$'000	Stage 3 Lifetime ECL \$'000	Purchased Credit Impaired \$'000	Total \$'000
<b>Separate</b>					
<b>Treasury-Investment Securities</b>					
Carrying amount as at April 1, 2018	436,736	-	-	-	436,736
Transfers:					
- Transfer from Stage 1 to Stage 2	-	-	-	-	-
- Transfer from Stage 1 to Stage 3	-	-	-	-	-
- Transfer from Stage 2 to Stage 3	-	-	-	-	-
- Transfer from Stage 3 to Stage 2	-	-	-	-	-
- Transfer from Stage 2 to Stage 1	-	-	-	-	-
- Financial assets derecognised	(140,701)	-	-	-	(140,701)
New financial assets originated or purchased	324,779	-	-	-	324,779
Modification of contractual cash flows of financial assets	-	-	-	-	-
Changes to model assumptions and methodologies	-	-	-	-	-
Changes in PDs/LGDs/EADs	(10,512)	-	-	-	(10,512)
Carrying amount as at March 1, 2019	610,302	-	-	-	610,302

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.

*(a.v) Write-off policy*

The Group 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 Group'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 Group 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 31 March 2019 was \$125,224 (2018: NIL). The Group 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.

**22. Financial Risk Management (continued)**

*(a) Credit risk (continued)*

*(i) Credit quality analysis (continued)*

**Credit policy prior to April 1, 2018**

**Impaired loans and investments**

These are loans and investment securities for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan/securities agreement(s).

**Past due but not impaired loans**

Loans and securities where contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Group.

**Renegotiated and restructured loans**

Renegotiated loans are extensions of credit which have been modified at favourable terms and conditions for the borrower such as variation in interest rates or increased lending. That is, there is no inherent weakness in the credit being renegotiated.

Restructured loans are facilities which have been refinanced, or otherwise modified as a result of an assessment of the borrower's inability to service the facility in line with the original repayment terms and conditions. As conditions precedent to a restructuring, the obligor must demonstrate the capacity to service the debt under the new conditions imposed by the restructured facility and the facility must be fully secured with standard loan to value margins restored which may require additional or up-stamped collateral.

**Allowances for impairment**

The Group establishes allowances for impairment or provisions in respect of individual financial assets which are not performing satisfactorily. These provisions are based on an assessment of the recoverability of collateral held as security on the facilities which is discounted using the original interest rate over the expected recovery period. Any shortfall of these expected recoverable amounts when compared to the principal outstanding is provided for through the profit or loss as reflected in Note 5.

**Write-off policy**

The Group writes off a loan/investment balance (and any related allowances for impairment losses) when the Chief Risk Officer, the Management Credit Committee or the Group Credit Committee (as per delegated limits approved by the Board) determines that the loans/investments are uncollectible.

**22. Financial Risk Management (continued)**

*(a) Credit risk (continued)*

*(i) Credit quality analysis (continued)*

**Write-off policy (continued)**

This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from the liquidation of the collateral will not be sufficient to fully liquidate the exposure.

*(ii) Collateral held and other credit enhancements*

The Group holds collateral against loans and advances to customers in the form of mortgage interest over property, other registered securities over assets, cash and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing. Annual property inspections are performed by management on the corporate and commercial portfolio. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral is not usually held against investment securities and no such collateral was held at March 31, 2019 or 2018.

**JMMB BANK (T&T) LIMITED**

## Notes to the Financial Statements

March 31, 2019

**22. Financial Risk Management (continued)***(a) Credit risk (continued)**(ii) Collateral held and other credit enhancements (continued)*

An estimate of the fair value of collateral and other security enhancements held against loans and advances to customers is shown below:

	<b>Loans and advances to customers</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Consolidated</b>		
Against individually impaired		
Property	45,153	91,378
Other	8,935	135,771
Against past due but not impaired		
Property	86,772	120,949
Other	13,098	111,097
Against neither past due nor impaired		
Property	1,087,442	769,515
Equities	7,117	5,641
Other	<u>520,325</u>	<u>226,597</u>
	<u>1,768,842</u>	<u>1,460,948</u>
<b>Separate</b>		
Against individually impaired		
Property	45,153	91,378
Other	8,898	135,771
Against past due but not impaired		
Property	86,772	120,013
Other	9,375	111,097
Against neither past due nor impaired		
Property	1,087,442	754,715
Equities	7,117	5,641
Other	<u>498,725</u>	<u>215,514</u>
	<u>1,743,482</u>	<u>1,434,129</u>

**JMMB BANK (T&T) LIMITED**

## Notes to the Financial Statements

March 31, 2019

**22. Financial Risk Management (continued)***(a) Credit risk (continued)**fiii) Concentration of credit risk*

Concentration by location for loans and advances is measured based on the location of the obligor. Concentration by location for investment securities is measured based on the location of the issuer of the security.

The Group monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk at the reporting date is shown below:

**Consolidated**

	<b>Loans and Advances to Customers</b>		<b>Investment Securities</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Gross amount	<u>1,292,848</u>	<u>1,153,960</u>	<u>678,317</u>	<u>477,482</u>
<b>Concentration by sector</b>				
Corporate/commercial	764,202	825,208	244,891	191,514
Sovereign	-	-	406,138	283,706
Bank	-	-	25,733	709
Retail	528,646	328,752	-	-
Equities	-	-	<u>1,555</u>	<u>1,553</u>
	<u>1,292,848</u>	<u>1,153,960</u>	<u>678,317</u>	<u>477,482</u>
<b>Concentration by location</b>				
Trinidad	1,285,393	1,147,057	554,285	473,259
Regional	5,405	6,903	124,032	4,223
Other	<u>2,050</u>	-	-	-
	<u>1,292,848</u>	<u>1,153,960</u>	<u>678,317</u>	<u>477,482</u>



**JMMB BANK (T&T) LIMITED**

## Notes to the Financial Statements

March 31, 2019

**22. Financial Risk Management (continued)***(a) Credit risk (continued)**(iii) Concentration of credit risk (continued)***Separate**

	<b>Loans and Advances to Customers</b>		<b>Investment Securities</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Gross amount	<u>1,262,939</u>	<u>1,143,513</u>	<u>677,877</u>	<u>474,123</u>
<b>Concentration by sector</b>				
Corporate/commercial	764,202	814,761	244,893	188,657
Sovereign	-	-	405,773	283,320
Bank	-	-	25,656	593
Retail	498,737	328,752	-	-
Equities	<u>-</u>	<u>-</u>	<u>1,555</u>	<u>1,553</u>
	<u>1,262,939</u>	<u>1,143,513</u>	<u>677,877</u>	<u>474,123</u>
<b>Concentration by location</b>				
Trinidad	1,255,484	1,136,610	554,209	470,286
Regional	5,405	6,903	123,668	3,837
Other	<u>2,050</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1,262,939</u>	<u>1,143,513</u>	<u>677,877</u>	<u>474,123</u>

**22. Financial Risk Management (continued)**

**(b) Settlement risk**

The Group's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a company to honour its obligations to deliver cash, securities or other assets as contractually agreed.

Settlement limits form part of the credit approval/limit monitoring process. Acceptance of settlement risk on trades requires transaction specific or counterparty specific approvals from Group Risk.

**(c) Liquidity risk**

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and/or to replace funds when they are withdrawn. Liquidity risk arises from the fluctuations in cash flows.

*Management of liquidity risk*

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's Treasury Unit receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities and other inter-bank facilities, which can be used for liquidity support. The liquidity requirements of business units and the subsidiary are met through funding sourced by Treasury to cover any short-term fluctuations and longer term funding sourced by the business units.

**JMIMB BANK (T&T) LIMITED**

## Notes to the Financial Statements

March 31, 2019

**22. Financial Risk Management (continued)****(c) Liquidity risk (continued)**

The daily liquidity position is monitored by the Treasury Unit. Daily reports cover the liquidity position of both the Group and its operating subsidiary and is submitted to the Risk Management Unit. A summary report is submitted regularly to the Asset and Liability Committee (ALCO) with any exceptions and remedial action taken and also submitted to the Board Risk Committee for review and monitoring.

**(i) Exposure to liquidity risk**

Apart from monitoring of daily cash forecasts and concentration risks, a key measure used by the Treasury Unit for managing liquidity risk is the ratio of net liquid assets to total assets. For this purpose, liquid assets are defined as comprising primary cash reserves held at CBTT, cash balances in excess of cash reserves at CBTT, mandatory special deposits with CBTT, cash held at other financial institutions net of unrepresented cheques, cash held in house and treasury bills/open market operations (OMOs) maturing within one year. Reported hereunder is the ratio of liquid assets to total assets on all currencies at the reporting date and during the year:

	<u>2019</u>	<u>2018</u>
	%	%
<b>As at March 31</b>		
Average for the year	25.46	19.79
Maximum for the year	30.85	23.84
Minimum for the year	20.24	16.16

**(ii) Maturity analysis for financial liabilities**

The table below summarises the residual contractual maturities of financial liabilities based on their undiscounted cash flows and their earliest possible contractual maturity at March 31.

	<u>Carrying</u>	<u>Gross</u>	<u>Up to</u>	<u>One</u>	<u>Over</u>
	<u>Amount</u>	<u>Nominal</u>	<u>One Year</u>	<u>to Five</u>	<u>Five</u>
	\$'000	\$'000	\$'000	Years	Years
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Consolidated 2019</b>					
Customers' deposits	2,064,236	(2,078,466)	(1,992,801)	(85,665)	-
Repurchase agreement	67,570	(70,332)	(70,332)	-	-
Other liabilities	45,558	(45,558)	(45,558)	-	-
Debt securities in issues	100,000	(141,151)	(5,014)	(20,014)	(116,123)
	<u>2,277,364</u>	<u>(2,335,507)</u>	<u>(2,113,705)</u>	<u>(105,679)</u>	<u>(116,123)</u>

**JMMB BANK (T&T) LIMITED**

## Notes to the Financial Statements

March 31, 2019

**22. Financial Risk Management (continued)***(c) Liquidity risk (continued)**(ii) Maturity analysis for financial liabilities (continued)*

	<b>Carrying Amount</b>	<b>Gross Nominal (Outflow)</b>	<b>Up to One Year</b>	<b>One to Five Years</b>	<b>Over Five Years</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Consolidated 2018</b>					
Customers' deposits	1,758,736	(1,768,691)	(1,745,050)	(23,641)	-
Other liabilities	44,789	(44,789)	(44,789)	-	-
Debt securities in issues	100,000	(118,011)	(4,499)	(113,512)	-
	<u>1,903,525</u>	<u>(1,931,491)</u>	<u>(1,794,338)</u>	<u>(137,153)</u>	<u>-</u>
<b>Separate 2019</b>					
Customers' deposits	2,064,010	(2,078,239)	(1,992,574)	(85,665)	-
Due to subsidiary	9,957	(9,957)	(9,957)	-	-
Repurchase agreement	67,570	(70,332)	(70,332)	-	-
Other liabilities	44,709	(44,709)	(44,709)	-	-
Debt securities in issues	100,000	(141,151)	(5,014)	(20,014)	(116,123)
	<u>2,286,246</u>	<u>(2,344,388)</u>	<u>(2,122,586)</u>	<u>(105,679)</u>	<u>(116,123)</u>
<b>Separate 2018</b>					
Customers' deposits	1,758,512	(1,768,465)	(1,744,824)	(23,641)	-
Due to subsidiary	13,186	(13,186)	(13,186)	-	-
Other liabilities	44,485	(44,485)	(44,485)	-	-
Debt securities in issues	100,000	(118,011)	(4,499)	(113,512)	-
	<u>1,916,183</u>	<u>(1,944,147)</u>	<u>(1,806,994)</u>	<u>(137,153)</u>	<u>-</u>

The next table summarises the maturity profile of the Group's financial assets and financial liabilities based on contractual undiscounted repayment obligations over the remaining life of those financial assets and liabilities. The Group's expected cash flows on these instruments could vary from this analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance.

**JMMB BANK (T&T) LIMITED**

Notes to the Financial Statements

March 31, 2019

**22. Financial Risk Management (continued)**

*(c) Liquidity risk (continued)*

*(iii) Maturity analysis for financial assets and financial liabilities (continued)*

**Consolidated**

	<b>2019</b>			<b>Total</b>
	<b>Less than 3 Months</b>	<b>3 to 12 Months</b>	<b>Over 12 Months</b>	
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>				
Cash and cash equivalents	145,191	-	-	145,191
Deposits with Central Bank	82,325	-	269,874	352,199
Loans and advances to customers	124,049	212,122	923,485	1,259,656
Reverse repurchase agreements	-	-	7,433	7,433
Investment securities	194,945	83,062	400,310	678,317
Reverse repurchase agreements	7,433	-	-	7,433
<b>Total assets</b>	<b>553,943</b>	<b>295,184</b>	<b>1,601,102</b>	<b>2,450,229</b>
<b>Liabilities</b>				
Customers' deposits	525,876	532,840	1,005,520	2,064,236
Debt securities in issue	-	-	100,000	100,000
Repurchase agreement	-	67,570	-	67,570
<b>Total liabilities</b>	<b>525,876</b>	<b>600,410</b>	<b>1,105,520</b>	<b>2,231,806</b>
<b>Net gap</b>	<b>28,067</b>	<b>(305,226)</b>	<b>495,582</b>	<b>218,423</b>
<b>Cumulative gap</b>	<b>28,067</b>	<b>(277,159)</b>	<b>218,423</b>	<b>-</b>
<b>2018</b>				
	<b>Less than 3 Months</b>	<b>3 to 12 Months</b>	<b>Over 12 Months</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>				
Cash and cash equivalents	113,642	-	-	113,642
Deposits with Central Bank	83,214	-	254,365	337,579
Loans and advances to customers	73,371	395,149	673,015	1,141,535
Investment securities	81,420	23,906	372,156	477,482
<b>Total assets</b>	<b>351,647</b>	<b>419,055</b>	<b>1,299,536</b>	<b>2,070,238</b>

**JMMB BANK (T&T) LIMITED**

Notes to the Financial Statements

March 31, 2019

**22. Financial Risk Management (continued)**

*(c) Liquidity risk (continued)*

*(ii) Maturity analysis for financial assets and financial liabilities (continued)*

**Consolidated (continued)**

	<b>2018</b>			<b>Total \$'000</b>	
	<b>Less than 3 Months \$'000</b>	<b>3 to 12 Months \$'000</b>	<b>Over 12 Months \$'000</b>		
	<b>Liabilities</b>				
	Customers' deposits	606,770	533,574		618,392
Debt securities in issue	-	-	100,000	100,000	
<b>Total liabilities</b>	<u>606,770</u>	<u>533,574</u>	<u>718,392</u>	<u>1,858,736</u>	
<b>Net gap</b>	(255,123)	(114,519)	581,144	211,502	
<b>Cumulative gap</b>	(255,123)	(396,642)	211,502	-	
<b>Separate</b>					
	<b>2019</b>				
	<b>Less than 3 Months \$'000</b>	<b>3 to 12 Months \$'000</b>	<b>Over 12 Months \$'000</b>	<b>Total \$'000</b>	
<b>Assets</b>					
Cash and cash equivalents	145,170	-	-	145,170	
Deposits with Central Bank	71,792	-	279,543	351,335	
Loans and advances to customers	120,954	203,529	905,931	1,230,414	
Reverse repurchase agreement	7,433	-	-	7,433	
Investment securities	194,869	83,062	399,946	677,877	
Due from subsidiary	-	23,294	-	23,294	
<b>Total assets</b>	<u>540,218</u>	<u>309,885</u>	<u>1,585,420</u>	<u>2,435,523</u>	
<b>Liabilities</b>					
Customers' deposits	525,876	532,614	1,005,520	2,064,010	
Debt Securities in issue	-	-	100,000	100,000	
Amounts due to subsidiary	-	9,957	-	9,957	
Repurchase agreement	-	67,570	-	67,570	
<b>Total liabilities</b>	<u>525,876</u>	<u>610,141</u>	<u>1,105,520</u>	<u>2,241,537</u>	
<b>Net gap</b>	14,342	(300,256)	479,900	193,986	
<b>Cumulative gap</b>	14,342	(285,914)	193,986	-	

**JMMB BANK (T&T) LIMITED**

## Notes to the Financial Statements

March 31, 2019

**22. Financial Risk Management (continued)***(c) Liquidity risk (continued)**(iii) Maturity analysis for financial assets and financial liabilities (continued)***Separate (continued)**

	2018			Total \$'000
	Less than 3 Months \$'000	3 to 12 Months \$'000	Over 12 Months \$'000	
<b>Assets</b>				
Cash and cash equivalents	114,948	-	-	114,948
Deposits with Central Bank	83,065	-	254,346	337,411
Loans and advances to customers	72,779	393,863	664,446	1,131,088
Investment securities	78,447	23,906	371,770	474,123
Investment in subsidiary	-	-	15,000	15,000
Due from subsidiary	-	950	-	950
<b>Total assets</b>	<b>349,239</b>	<b>418,719</b>	<b>1,305,562</b>	<b>2,073,520</b>
<b>Liabilities</b>				
Customers' deposits	606,770	533,350	618,392	1,758,512
Amounts due to subsidiary	-	13,186	-	13,186
Debt Securities in issue	-	-	100,000	100,000
<b>Total liabilities</b>	<b>606,770</b>	<b>546,536</b>	<b>718,392</b>	<b>1,871,698</b>
<b>Net gap</b>	<b>(257,531)</b>	<b>(127,817)</b>	<b>587,170</b>	<b>201,822</b>
<b>Cumulative gap</b>	<b>(257,531)</b>	<b>(385,348)</b>	<b>201,822</b>	<b>-</b>

**22. Financial Risk Management (continued)**

*(d) Market risks*

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

*Management of market risks*

The Group holds no exposure to actively traded portfolios. With the exception of translation risk arising on the Group's net balance sheet position, all foreign exchange risk within the Group is managed by the Group's Treasury Unit.

The Board Risk Committee reviews and approves the risk policies recommended by management and makes recommendation to the Board of Directors as appropriate. Overall management of market risk is vested in the Asset Liability Committee (ALCO). The Group's Risk Unit is responsible for the development of detailed risk management policies and for the day-to-day review of their implementation.

*(i) Interest rate risk*

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing gaps. The ALCO is the monitoring body for compliance with these limits and is assisted by the Risk Unit in its day-to-day monitoring activities.



**JMMB BANK (T&T) LIMITED**

## Notes to the Financial Statements

March 31, 2019

**22. Financial Risk Management (continued)***(d) Market risks (continued)**(i) Interest rate risk (continued)***Interest sensitivity of financial assets and financial liabilities**

The table below summarises the Group's exposure to interest rate risks. The Group's assets and liabilities are shown at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

**Consolidated**

	2019					Total \$'000
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non- Interest Bearing	
	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Assets</b>						
Cash and cash equivalents	-	14,587	-	-	130,604	145,191
Deposits with Central Bank	-	-	-	-	352,199	352,199
Loans and advances to customers	293,799	822,568	95,180	48,109	-	1,259,656
Investment securities	199,279	113,062	178,473	185,948	1,555	678,317
Reverse repurchase agreements	7,433	-	-	-	-	7,433
Other assets	-	-	-	-	53,218	53,218
<b>Total assets</b>	<b>500,511</b>	<b>950,217</b>	<b>273,653</b>	<b>234,057</b>	<b>537,576</b>	<b>2,496,014</b>
<b>Liabilities and Equity</b>						
Customers' deposits	1,540,750	498,207	25,279	-	-	2,064,236
Other liabilities	-	-	-	-	54,221	54,221
Debt securities in issue	-	-	-	100,000	-	100,000
Repurchase agreements	-	67,570	-	-	-	67,570
Equity	-	-	-	-	209,987	209,987
<b>Total liabilities and equity</b>	<b>1,540,750</b>	<b>565,777</b>	<b>25,279</b>	<b>100,000</b>	<b>264,208</b>	<b>2,496,014</b>
<b>Net gap</b>	<b>(1,040,239)</b>	<b>384,440</b>	<b>248,374</b>	<b>134,057</b>	<b>273,368</b>	<b>-</b>
<b>Cumulative gap</b>	<b>(1,040,239)</b>	<b>(655,799)</b>	<b>(407,425)</b>	<b>(273,368)</b>	<b>-</b>	<b>-</b>

**JMMB BANK (T&T) LIMITED**

## Notes to the Financial Statements

March 31, 2019

**22. Financial Risk Management (continued)****(d) Market risks (continued)****(i) Interest rate risk (continued)****Interest sensitivity of financial assets and financial liabilities (continued)****Consolidated**

	<b>2018</b>					<b>Total</b>
	<b>Within 3</b>	<b>3 to 12</b>	<b>1 to 5</b>	<b>Over 5</b>	<b>Non-</b>	
	<b>Months</b>	<b>Months</b>	<b>Years</b>	<b>Years</b>	<b>Interest</b>	
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>Bearing</b>	<b>\$'000</b>
<b>Assets</b>						
Cash and cash equivalents	-	808	-	-	112,834	113,642
Deposits with Central Bank	27,798	-	-	-	309,781	337,579
Loans and advances to customers	329,143	734,522	45,072	32,798	-	1,141,535
Investment securities	86,067	53,906	157,497	178,459	1,553	477,482
Other assets	-	-	-	-	47,668	47,668
<b>Total assets</b>	<b>443,008</b>	<b>789,236</b>	<b>202,569</b>	<b>211,257</b>	<b>471,836</b>	<b>2,117,906</b>
<b>Liabilities and Equity</b>						
Customers' deposits	478,680	959,139	22,458	-	298,459	1,758,736
Other liabilities	-	-	1,135	-	44,789	45,924
Debt securities in issue	-	-	100,000	-	-	100,000
Equity	-	-	-	-	213,246	213,246
<b>Total liabilities and equity</b>	<b>478,680</b>	<b>959,139</b>	<b>123,593</b>	<b>-</b>	<b>556,494</b>	<b>2,117,906</b>
<b>Net gap</b>	<b>(35,672)</b>	<b>(169,903)</b>	<b>78,976</b>	<b>211,257</b>	<b>(84,658)</b>	<b>-</b>
<b>Cumulative gap</b>	<b>(35,672)</b>	<b>(205,575)</b>	<b>(126,599)</b>	<b>84,658</b>	<b>-</b>	<b>-</b>

**JMMB BANK (T&T) LIMITED**

## Notes to the Financial Statements

March 31, 2019

**22. Financial Risk Management (continued)***(d) Market risks (continued)**(i) Interest rate risk (continued)***Interest sensitivity of financial assets and financial liabilities (continued)****Separate**

	2019					Total \$'000
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non- Interest Bearing	
	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Assets</b>						
Cash and cash equivalents	-	14,724	-	-	130,446	145,170
Deposits with Central Bank	-	-	-	-	351,335	351,335
Loans and advances to customers	293,799	819,825	68,682	48,108	-	1,230,414
Investment in subsidiary	-	-	-	-	15,000	15,000
Investment securities	199,203	113,061	178,473	185,585	1,555	677,877
Reverse repurchase agreement	7,433	-	-	-	-	7,433
Due from subsidiary	-	-	-	-	23,294	23,294
Other assets	-	-	-	-	47,492	47,492
<b>Total assets</b>	<b>500,435</b>	<b>947,610</b>	<b>247,155</b>	<b>233,693</b>	<b>569,122</b>	<b>2,498,015</b>
<b>Liabilities and Equity</b>						
Customers' deposits	1,540,750	497,980	25,280	-	-	2,064,010
Due to subsidiary	-	-	-	-	9,957	9,957
Other liabilities	-	-	-	-	53,212	53,212
Debt securities in issue	-	-	-	100,000	-	100,000
Repurchase agreement	-	67,570	-	-	-	67,570
Equity	-	-	-	-	203,266	203,266
<b>Total liabilities and equity</b>	<b>1,540,750</b>	<b>565,550</b>	<b>25,280</b>	<b>100,000</b>	<b>266,435</b>	<b>2,498,015</b>
<b>Net gap</b>	<b>(1,040,315)</b>	<b>382,060</b>	<b>221,875</b>	<b>133,693</b>	<b>302,687</b>	<b>-</b>
<b>Cumulative gap</b>	<b>(1,040,315)</b>	<b>(658,255)</b>	<b>(436,380)</b>	<b>(302,687)</b>	<b>-</b>	<b>-</b>

**JMMB BANK (T&T) LIMITED**

## Notes to the Financial Statements

March 31, 2019

**22. Financial Risk Management (continued)****(d) Market risks (continued)****(i) Interest rate risk (continued)****Interest sensitivity of financial assets and financial liabilities (continued)****Separate**

	<b>2018</b>					<b>Total</b>
	<b>Within 3</b>	<b>3 to 12</b>	<b>1 to 5</b>	<b>Over 5</b>	<b>Non-</b>	
	<b>Months</b>	<b>Months</b>	<b>Years</b>	<b>Years</b>	<b>Interest</b>	
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>Bearing</b>	<b>\$'000</b>
<b>Assets</b>						
Cash and cash equivalents	-	808	-	-	114,140	114,948
Deposits with Central Bank	27,798	-	-	-	309,613	337,411
Loans and advances to customers	329,143	734,300	42,821	24,824	-	1,131,088
Investment in subsidiary	-	-	-	-	15,000	15,000
Investment securities	83,093	53,906	157,497	178,074	1,553	474,123
Due from subsidiary	-	950	-	-	-	950
Other assets	-	-	-	-	47,275	47,275
<b>Total assets</b>	<b>440,034</b>	<b>789,964</b>	<b>200,318</b>	<b>202,898</b>	<b>487,581</b>	<b>2,120,795</b>
<b>Liabilities and Equity</b>						
Customers' deposits	478,680	958,915	22,458	-	298,459	1,758,512
Due to subsidiary	-	-	-	-	13,186	13,186
Other liabilities	-	-	-	-	45,631	45,631
Debt securities in issue	-	-	100,000	-	-	100,000
Equity	-	-	-	-	203,466	203,466
<b>Total liabilities and equity</b>	<b>478,680</b>	<b>958,915</b>	<b>122,458</b>	<b>-</b>	<b>560,742</b>	<b>2,120,795</b>
<b>Net gap</b>	<b>(38,646)</b>	<b>(168,951)</b>	<b>77,860</b>	<b>202,898</b>	<b>(73,161)</b>	<b>-</b>
<b>Cumulative gap</b>	<b>(38,646)</b>	<b>(207,597)</b>	<b>(129,737)</b>	<b>73,161</b>	<b>-</b>	<b>-</b>

**JMMB BANK (T&T) LIMITED**

## Notes to the Financial Statements

March 31, 2019

**22. Financial Risk Management (continued)***(d) Market risks (continued)**(i) Interest rate risk (continued)***Interest sensitivity of financial assets and financial liabilities (continued)**

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis point (bp) parallel fall or rise in interest rates. An analysis of the Group's sensitivity to an increase or decrease in market interest rates is as follows:

	<b>100 bp Parallel Increase</b>	<b>100 bp Parallel Decrease</b>	<b>50 bp Increase After 1 Year</b>	<b>50 bp Decrease After 1 Year</b>
	<b>(\$'000)</b>	<b>(\$'000)</b>	<b>(\$'000)</b>	<b>(\$'000)</b>
<b><u>Consolidated</u></b>				
<b>2019</b>				
At March 31				
Average for the year	(12)	12	(148)	148
Maximum for the year	168	297	37	441
Minimum for the year	(297)	(168)	(441)	(37)
<b>2018</b>				
At March 31				
Average for the year	(78)	78	53	(53)
Maximum for the year	98	158	239	15
Minimum for the year	(158)	(98)	(15)	(239)
<b><u>Separate</u></b>				
<b>2019</b>				
At March 31				
Average for the year	(20)	20	(152)	152
Maximum for the year	162	306	34	441
Minimum for the year	(306)	(162)	(441)	(34)
<b>2018</b>				
At March 31				
Average for the year	(66)	66	65	(65)
Maximum for the year	147	110	250	9
Minimum for the year	(110)	(147)	(9)	(250)

Overall non-trading interest rate risk positions are managed by the Group's Treasury Unit, which uses investment securities, advances to banks and deposits from banks to manage the overall position arising from the Group's non-trading activities.

**JMMB BANK (T&T) LIMITED**

## Notes to the Financial Statements

March 31, 2019

**22. Financial Risk Management (continued)***(d) Market risks (continued)**(i) Other market risks – non-trading portfolios*

Equity price risk is subject to regular monitoring by Group Risk, but is not currently significant in relation to the overall results and financial position of the Group.

*(iii) Currency risk*

The techniques used by the Group to manage currency risk vary subject to market conditions. Assets are primarily funded from liabilities of the same currency, thus eliminating currency risk. Foreign currency transactions have not required the use of interest rate swaps, foreign currency options or other derivative instruments. Currency exposure resides mainly in trading activity where the Group buys and sells currencies in the spot markets. Trading portfolios are managed with the intent to buy and sell over short periods, rather than to hold positions for investments. Explicit limits are established by currency, position and term, and daily reports are reviewed for compliance.

**Concentration of financial assets and financial liabilities by currency**

The Group has the following significant foreign currency positions expressed in Trinidad and Tobago dollars.

**CONSOLIDATED**

	2019			Total \$'000
	TT \$'000	US \$'000	Other \$'000	
<b>Assets</b>				
Cash and due from banks	369,286	127,861	243	497,390
Loans and advances to customers	1,207,532	52,124	-	1,259,656
Investment securities	358,066	320,251	-	678,317
Reverse repurchase agreement		7,433	-	7,433
Plant and equipment	26,253	-	-	26,253
Other assets	24,181	2,784	-	26,965
<b>Total assets</b>	<b>1,985,318</b>	<b>510,453</b>	<b>243</b>	<b>2,496,014</b>
<b>Liabilities and equity</b>				
Customers' deposits	1,692,333	371,903	-	2,064,236
Other liabilities	54,221	-	-	54,221
Debt Securities in issue	100,000	-	-	100,000
Repurchase agreement	-	67,570	-	67,570
Shareholders' equity	202,865	7,178	(56)	209,987
<b>Total liabilities and equity</b>	<b>2,049,419</b>	<b>446,651</b>	<b>(56)</b>	<b>2,496,014</b>
<b>Net financial position</b>	<b>(64,101)</b>	<b>63,802</b>	<b>299</b>	<b>-</b>
<b>Credit commitments</b>	<b>108,942</b>	<b>-</b>	<b>-</b>	<b>-</b>

**JMMB BANK (T&T) LIMITED**

Notes to the Financial Statements

March 31, 2019

**22. Financial Risk Management (continued)***(d) Market risks (continued)**(iii) Currency risk***Concentration of financial assets and financial liabilities by currency  
(continued)****Consolidated**

	<b>2018</b>			<b>Total \$'000</b>
	<b>TT \$'000</b>	<b>US \$'000</b>	<b>Other \$'000</b>	
<b>Assets</b>				
Cash and due from banks	361,705	89,191	325	451,221
<b>Loans and advances</b>				
to customers	1,040,230	101,305	-	1,141,535
Investment securities	280,987	196,495	-	477,482
Plant and equipment	25,196	-	-	25,196
Other assets	19,355	2,399	718	22,472
<b>Total assets</b>	<b>1,727,473</b>	<b>389,390</b>	<b>1,043</b>	<b>2,117,906</b>
<b>Liabilities and equity</b>				
Customers' deposits	1,411,334	347,402	-	1,758,736
Other liabilities	36,510	9,213	201	45,924
Debt Securities in issue	100,000	-	-	100,000
Shareholders' equity	205,843	7,427	(24)	213,246
<b>Total liabilities and equity</b>	<b>1,753,687</b>	<b>364,042</b>	<b>177</b>	<b>2,117,906</b>
<b>Net financial position</b>	<b>(26,214)</b>	<b>25,348</b>	<b>866</b>	<b>-</b>
<b>Credit commitments</b>	<b>94,545</b>	<b>-</b>	<b>-</b>	<b>94,545</b>

**JMMB BANK (T&T) LIMITED**

## Notes to the Financial Statements

March 31, 2019

**22. Financial Risk Management (continued)***(d) Market risks (continued)**(iii) Currency risk***Concentration of financial assets and financial liabilities by currency  
(continued)****Separate**

	<b>2019</b>			
	<b>TT</b>	<b>US</b>	<b>Other</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>				
Cash and due from banks	368,402	127,860	243	496,505
Loans and advances to customers	1,178,290	52,124	-	1,230,414
Investment securities	357,990	319,887	-	677,877
Reverse repurchase agreement	-	7,433	-	7,433
Due from subsidiary	23,000	294	-	23,294
Investment in subsidiary	15,000	-	-	15,000
Plant and equipment	23,249	-	-	23,249
Other assets	21,462	2,781	-	24,243
<b>Total assets</b>	<b>1,987,393</b>	<b>510,379</b>	<b>243</b>	<b>2,498,015</b>
<b>Liabilities and equity</b>				
Customers' deposits	1,692,107	371,903	-	2,064,010
Due to subsidiary	9,820	137	-	9,957
Other liabilities	46,999	6,213	-	53,212
Debt Securities in issue	100,000	-	-	100,000
Repurchase agreement	-	67,570	-	67,570
Shareholders' equity	196,146	7,175	(55)	203,266
<b>Total liabilities and equity</b>	<b>2,045,072</b>	<b>452,998</b>	<b>(55)</b>	<b>2,498,015</b>
<b>Net financial position</b>	<b>(57,679)</b>	<b>57,381</b>	<b>298</b>	<b>-</b>
<b>Credit commitments</b>	<b>108,942</b>	<b>-</b>	<b>-</b>	<b>-</b>



**JMMB BANK (T&T) LIMITED**

## Notes to the Financial Statements

March 31, 2019

**22. Financial Risk Management (continued)***(d) Market risks (continued)**(iii) Currency risk***Concentration of financial assets and financial liabilities by currency  
(continued)****Separate**

	<b>2018</b>			
	<b>TT</b>	<b>US</b>	<b>Other</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>				
Cash and due from banks	362,842	89,192	325	452,359
Loans and advances to customers	1,029,783	101,305	-	1,131,088
Investment securities	278,013	196,110	-	474,123
Due from subsidiary	-	950	-	950
Investment in subsidiary	15,000	-	-	15,000
Plant and equipment	25,064	-	-	25,064
Other assets	19,094	3,117	-	22,211
<b>Total assets</b>	<b>1,729,796</b>	<b>390,674</b>	<b>325</b>	<b>2,120,795</b>
<b>Liabilities and equity</b>				
Customers' deposits	1,411,110	347,402	-	1,758,512
Due to subsidiary	12,410	776	-	13,186
Other liabilities	36,226	9,204	201	45,631
Debt Securities in issue	100,000	-	-	100,000
Shareholders' equity	196,062	7,404	-	203,466
<b>Total liabilities and equity</b>	<b>1,755,808</b>	<b>364,786</b>	<b>201</b>	<b>2,120,795</b>
<b>Net financial position</b>	<b>(26,012)</b>	<b>25,888</b>	<b>124</b>	<b>-</b>
<b>Credit commitments</b>	<b>94,545</b>	<b>-</b>	<b>-</b>	<b>94,545</b>

**22. Financial Risk Management (continued)****(e) Operational risks**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations and are faced by all business entities.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Operational Risk Management Committee. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- 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 action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

A significant component of operational risk that has become increasingly prevalent in the business environment and that affects the operations of the Group, is technology and information security risk.

**22. Financial Risk Management** (continued)

*(e) Operational risks* (continued)

The Group acknowledges that the constantly evolving nature of technology and its importance in the conduct of financial transactions globally, have increased the risk of attacks on the networks and systems that support electronic and digital information and transactions flow. The impact of any such attack on the Group's technology and information systems includes, among others, unauthorised access to these systems, loss, misappropriation and destruction of data including that of customers and other stakeholders, critical system unavailability, increased costs of operations, potential fines and penalties for breaches of privacy laws, reputational damage and financial loss.

The Group has adopted a proactive, enterprise-wide approach and has implemented appropriate processes and controls across all its critical electronic interfaces and touch points to continuously monitor, manage and mitigate the impact of this risk on its networks, systems and other technology infrastructure in order to safeguard its information and other assets and by extension those of its customers and other stakeholders. This is supported by ongoing updates to its technology infrastructure, system vulnerability assessments, training of its team members and sensitisation of customers and other stakeholders to any new and emerging threats.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by Internal Audit.

*(f) Business continuity*

The Group's Business Continuity Plan (BCP) encompasses a defined set of planning, preparatory and related activities which are intended to ensure that the critical business functions will either continue to operate despite serious incidents or disasters that might otherwise have interrupted its operations, or will be recovered to an operational state within a reasonably short period. The oversight of Business Continuity falls largely within the sphere of Risk Management.

The objectives of the Group's BCP are to:

1. Protect human life.
2. Identify processes critical to the operations of the Group and safe guard the Group's assets.
3. Provide tested plans which, when executed, will permit timely and efficient recovery and resumption of the Group's critical business functions.
4. Minimize the inconvenience and potential disruption of service to internal and external customers.
5. Describe the organizational structure necessary for executing the plan.

**22. Financial Risk Management (continued)***(f) Business continuity (continued)*

The objectives of the Group's BCP are to: (continued)

6. Identify the equipment, procedures and activities for recovery.
7. Ensure that the reputation and financial viability of the Group is maintained at all times.
8. Ensure compliance with regulatory requirements.

The BCP is focused on minimizing the down time and data loss within the thresholds identified by the Group. The plan is meant to minimize the loss to the Group and or negative impact to customer service as a result of serious incidents or disasters that may occur for some time.

Group standards are supported by periodic reviews undertaken by the Internal Audit department.

**23. Operating Segment**

The Group has the following four strategic business lines, which are reportable segments. These divisions offer different products and services, and are managed separately based on the Group's management and internal reporting structure.

<b>Reportable segments</b>	<b>Operations</b>
Retail	Loans, deposits and other transactions and balances with retail customers
Corporate/Commercial	Loans, deposits and other transactions and balances with corporate/commercial customers
Treasury management and investment banking	Liquidity management and investment banking services including corporate finance, and specialised financial trading
Other Functions	All other revenue and support functions within the Group

# JMMB BANK (T&T) LIMITED

## Notes to the Financial Statements

March 31, 2019

### 23. Operating Segment (continued)

#### Consolidated

	<u>Retail</u>	<u>Corporate/ Commercial</u>	<u>Treasury</u>	<u>Other Functions</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Year ended March 31, 2019</b>					
Net interest income	8,079	69,628	14,502	-	92,209
Net fee and commission income	6,016	4,082	41	803	10,942
Foreign exchange gains	-	-	38,984	-	38,984
Other income	-	-	1,522	-	1,522
<b>Total income</b>	<u>14,095</u>	<u>73,710</u>	<u>55,049</u>	<u>803</u>	<u>143,657</u>
Impairment losses	-	(3,324)	-	-	(3,324)
Depreciation expense	(4,950)	(64)	-	-	(5,014)
Other operating expenses	(32,861)	(8,261)	(640)	(66,699)	(108,461)
<b>Total non-interest expenses</b>	<u>(37,811)</u>	<u>(11,649)</u>	<u>(640)</u>	<u>(66,699)</u>	<u>(116,799)</u>
<b>Profit before taxation</b>	<u>(23,716)</u>	<u>62,061</u>	<u>54,409</u>	<u>(65,896)</u>	<u>26,858</u>
<b>Segment assets</b>	<u>435,992</u>	<u>873,363</u>	<u>1,169,967</u>	<u>16,692</u>	<u>2,496,014</u>
<b>Segments liabilities</b>	<u>478,910</u>	<u>794,812</u>	<u>(185,482)</u>	<u>1,197,787</u>	<u>2,286,027</u>

#### Consolidated

	<u>Retail</u>	<u>Corporate/ Commercial</u>	<u>Treasury</u>	<u>Other Functions</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Year ended March 31, 2018</b>					
Net interest income	17,762	62,153	3,926	-	83,841
Net fee and commission income	5,247	3,619	81	686	9,633
Foreign exchange gains	-	-	20,034	-	20,034
Other income	-	-	1,812	-	1,812
<b>Total income</b>	<u>23,009</u>	<u>65,772</u>	<u>25,853</u>	<u>686</u>	<u>115,320</u>
Impairment losses	-	(3,059)	-	-	(3,059)
Depreciation expense	(2,651)	(80)	-	(2,290)	(5,021)
Other operating expenses	(29,026)	(7,287)	(581)	(56,853)	(93,747)
<b>Total non-interest expenses</b>	<u>(31,677)</u>	<u>(10,426)</u>	<u>(581)</u>	<u>(59,143)</u>	<u>(101,827)</u>
<b>Profit before taxation</b>	<u>(8,668)</u>	<u>55,346</u>	<u>25,272</u>	<u>(58,457)</u>	<u>13,493</u>
<b>Segment assets</b>	<u>382,467</u>	<u>821,377</u>	<u>908,158</u>	<u>5,904</u>	<u>2,117,906</u>
<b>Segments liabilities</b>	<u>428,640</u>	<u>768,836</u>	<u>(232,892)</u>	<u>940,076</u>	<u>1,904,660</u>

**JMMB BANK (T&T) LIMITED**

## Notes to the Financial Statements

March 31, 2019

**23. Operating Segment (continued)****Separate**

	<b>Retail</b>	<b>Corporate/ Commercial</b>	<b>Treasury</b>	<b>Other Functions</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Year ended March 31, 2019</b>					
Net interest income	5,270	69,628	14,502	-	89,400
Net fee and commission income	5,367	4,082	42	832	10,323
Foreign exchange gains	-	-	38,983	-	38,983
Other income	-	-	1,522	-	1,522
<b>Total income</b>	<b>10,637</b>	<b>73,710</b>	<b>55,049</b>	<b>832</b>	<b>140,228</b>
Impairment charges	-	(3,287)	-	-	(3,287)
Depreciation expense	(4,710)	(64)	-	-	(4,774)
Other operating expenses	(26,153)	(8,261)	(640)	(66,730)	(101,784)
<b>Total non-interest expenses</b>	<b>(30,863)</b>	<b>(11,612)</b>	<b>(640)</b>	<b>(66,730)</b>	<b>(109,845)</b>
<b>Profit before taxation</b>	<b>(20,226)</b>	<b>62,098</b>	<b>54,409</b>	<b>(65,898)</b>	<b>30,383</b>
<b>Segment assets</b>	<b>402,647</b>	<b>873,363</b>	<b>1,168,523</b>	<b>53,482</b>	<b>2,498,015</b>
<b>Segments liabilities</b>	<b>477,836</b>	<b>794,812</b>	<b>(185,481)</b>	<b>1,207,582</b>	<b>2,294,749</b>

**Separate**

	<b>Retail</b>	<b>Corporate/ Commercial</b>	<b>Treasury</b>	<b>Other Functions</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Year ended March 31, 2018</b>					
Net interest income	17,762	61,064	3,926	-	82,752
Net fee and commission income	5,247	3,568	81	719	9,615
Foreign exchange gains	-	-	20,034	-	20,034
Other income	-	-	1,587	-	1,587
<b>Total income</b>	<b>23,009</b>	<b>64,632</b>	<b>25,628</b>	<b>719</b>	<b>113,988</b>
Impairment charges	-	(3,059)	-	-	(3,059)
Depreciation expense	(2,651)	(61)	-	(2,290)	(5,002)
Other operating expenses	(29,026)	(6,388)	(581)	(56,884)	(92,879)
<b>Total non-interest expenses</b>	<b>(31,677)</b>	<b>(9,508)</b>	<b>(581)</b>	<b>(59,174)</b>	<b>(100,940)</b>
<b>Profit before taxation</b>	<b>(8,668)</b>	<b>55,124</b>	<b>25,047</b>	<b>(58,455)</b>	<b>13,048</b>
<b>Segment assets</b>	<b>383,773</b>	<b>810,561</b>	<b>905,475</b>	<b>20,986</b>	<b>2,120,795</b>
<b>Segments liabilities</b>	<b>428,640</b>	<b>768,307</b>	<b>(232,892)</b>	<b>953,274</b>	<b>1,917,329</b>

## **24. Capital Management**

### *Regulatory capital*

The Group's lead regulator, the Central Bank of Trinidad and Tobago sets and monitors capital requirements for the bank and the subsidiary. In implementing current capital requirements, the Central Bank of Trinidad and Tobago requires that the Bank and its subsidiary maintain a prescribed ratio of total capital to total risk-weighted assets.

Regulatory capital is analysed into two tiers:

- Tier 1 capital, which includes ordinary share capital, retained earnings statutory reserve after deductions for intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes. These capital elements are considered core because they are either: (i) permanent in nature, or (ii) available to absorb losses while the institution remains a going concern.
- Tier 2 capital, which includes qualifying subordinated liabilities, collective impairment allowances and the element of the fair value reserve relating to unrealised gains on equity instruments classified as available-for-sale.

The existing capital framework identifies various elements of the capital base: Qualifying Tier 2 capital cannot exceed Tier 1 capital, the minimum ratio of Tier 1 capital to risk weighted assets is 4% and the minimum total capital to risk weighted assets is 8%. There are also restrictions on the amount of collective impairment allowances that may be included as part of Tier 2 capital. Other deductions from capital include the carrying amounts of investments in subsidiaries that are not included in the regulatory consolidation, investments in the capital of banks and certain other regulatory items.

The Group's policy is to maintain a strong capital base in line with its defined risk appetite.

The Parent and its subsidiary have complied with all externally imposed capital requirements throughout the year. The Group's approach to capital management has been consistent with prior years.

The Central Bank has communicated its intention to replace the existing capital management framework by implementing Basel II and some aspects of the Basel III framework in 2019.

Management is of the view that the Group will comply with the new capital adequacy requirements, based on the results of a series of quantitative impact studies (QIS) conducted by the Central Bank.

**JMMB BANK (T&T) LIMITED**

## Notes to the Financial Statements

March 31, 2019

**24. Capital Management (continued)***Regulatory capital (continued)*

The Parent's regulatory capital position at March 31 was as follows:

	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>
<b>Tier 1 capital</b>		
Stated capital	107,631	107,631
Statutory reserve	34,016	32,143
Retained earnings	<u>60,671</u>	<u>41,916</u>
<b>Total qualifying Tier 1 capital</b>	<u>202,318</u>	<u>181,690</u>
<b>Tier 2 capital</b>		
Fair value reserve for available-for-sale investment securities	948	796
Qualifying portion of subordinated debt	91,795	80,000
General loss reserve	-	20,980
Disallowed general loss reserve	<u>-</u>	<u>(6,515)</u>
<b>Total qualifying Tier 2 capital</b>	<u>92,743</u>	<u>95,261</u>
<b>Investment in financial subsidiaries</b>	<u>(15,000)</u>	<u>(15,000)</u>
<b>Total regulatory capital</b>	<u>280,061</u>	<u>261,951</u>
<b>Risk-weighted assets</b>		
Loans and advances, investment securities and other assets	<u>1,405,724</u>	<u>1,150,663</u>
<b>Capital ratios</b>		
Total regulatory capital expressed as a percentage of total risk-weighted assets	19.92%	22.77%
Total Tier 1 capital expressed as a percentage of risk-weighted assets	14.39%	15.79%

On April 4, 2014, JMMB Bank (T&T) Limited issued \$80,000,000 of unsecured, subordinated debt. This debt was increased to \$100,000,000 effective February 2018. The Financial Institutions (Prudential Criteria) Regulation 1994 limits the amount of the subordinated debt that can qualify as Tier 2 supplementary capital to 50% of the Bank's Tier 1 capital.



**JMMB BANK (T&T) LIMITED**

## Notes to the Financial Statements

March 31, 2019

**25. Related Party Balances and Transactions**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions. These transactions were carried out on normal terms and conditions at market rates. For the year ended March 31, 2019, the Group has not made any provision for doubtful debts relating to amounts owed by related parties (2018: NIL).

The following table provides the total amount of balances and transactions, which have been entered into with related parties who have significant influence over the Group for the relevant financial year.

<b>Separate</b>			<b>Consolidated</b>	
<b>2018</b>	<b>2019</b>		<b>2019</b>	<b>2018</b>
<b>\$'000</b>	<b>\$'000</b>		<b>\$'000</b>	<b>\$'000</b>
<b>(i) Outstanding balances</b>				
<i>Advances, investments, cash and balances with bank and other assets</i>				
1,262	1,372	Affiliated companies	1,372	1,262
950	23,294	Subsidiary	-	-
<u>3,648</u>	<u>6,909</u>	Directors, key management personnel and close family members	<u>6,909</u>	<u>3,648</u>
<u>5,860</u>	<u>31,575</u>		<u>8,281</u>	<u>4,910</u>
 <i>Deposits and other liabilities</i>				
13,186	9,957	Subsidiary company	-	-
51,044	71,831	Affiliated companies	71,831	51,044
-	-	Ultimate parent company - JMMB Group Limited	23,474	2,156
<u>2,156</u>	<u>23,474</u>	Directors, key management personnel and close family members	<u>3,339</u>	<u>2,843</u>
<u>69,229</u>	<u>108,602</u>		<u>98,645</u>	<u>56,043</u>
<u>-</u>	<u>8,813</u>	Purchase of loan portfolio from subsidiary	<u>-</u>	<u>-</u>

**JMMB BANK (T&F) LIMITED**

## Notes to the Financial Statements

March 31, 2019

**25. Related Party Balances and Transactions (continued)**

Separate			Consolidated	
2018	2019		2019	2018
\$'000	\$'000		\$'000	\$'000
		<b>(i) Transactions</b>		
<u>204</u>	<u>204</u>	Interest and other income	<u>204</u>	<u>270</u>
<u>9</u>	<u>13</u>	Interest and other expenses	<u>13</u>	<u>22</u>
<u>-</u>	<u>8,813</u>	Purchase of loan portfolio from subsidiary	<u>-</u>	<u>-</u>
		<b>(ii) Key management compensation</b>		
<u>8,378</u>	<u>9,871</u>	Short term employee benefit	<u>11,144</u>	<u>8,493</u>
<u>784</u>	<u>845</u>	Post-employment benefits	<u>910</u>	<u>784</u>
<u>9,162</u>	<u>10,716</u>		<u>12,054</u>	<u>9,277</u>

Key management comprises individuals responsible for planning, directing and controlling the activities of the Group.

**26. Fair Value of Financial Assets and Liabilities**

The fair value of financial instruments that are recognised on the statement of financial position and the fair value of financial instruments that are not recognised on the statement of financial position are based on the valuation methods and assumptions set out in the significant accounting policies note 3(b).

**(a) Valuation models**

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

- Level 1 – Inputs that are quoted market price (unadjusted) in an active market for an identical instrument.

# JMMB BANK (T&T) LIMITED

Notes to the Financial Statements

March 31, 2019

## 26. Fair Value of Financial Assets and Liabilities (continued)

### (a) Valuation models (continued)

- **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 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 included 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 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 cash flow models, comparison with similar instruments for which observable market prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other inputs used in estimating discount rates, bond prices, foreign currency exchange rates and expected price volatilities and correlations.

Judgement is used in applying a wide range of acceptable valuation techniques and estimations in the calculation of fair value amounts which is based upon market conditions at a specific point in time and may not be reflective of future fair values

### (b) Financial instruments measured at fair value – fair value hierarchy

The table below analyses financial instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	2019			
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
<b>Consolidated</b>				
Equities			1,555	1,555
Government bonds	192,616	213,157	364	406,137
Corporate securities	77,467	125,828	67,330	270,625
	<u>270,083</u>	<u>338,985</u>	<u>69,249</u>	<u>678,317</u>

**JMMB BANK (T&T) LIMITED**

Notes to the Financial Statements

March 31, 2019

**26. Fair Value of Financial Assets and Liabilities (continued)**

*(b) Financial instruments measured at fair value – fair value hierarchy (continued)*

	<b>2018</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b><u>Consolidated</u></b>				
Equities	-	-	1,553	1,553
Government bonds	95,649	184,671	386	280,706
Corporate securities	105,599	45,393	41,231	192,223
	<b>201,248</b>	<b>230,064</b>	<b>43,170</b>	<b>474,482</b>
	<b>2019</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b><u>Separate</u></b>				
Equities	-	-	1,555	1,555
Government bonds	192,616	213,157	-	405,773
Corporate securities	77,467	125,828	67,254	270,549
	<b>270,083</b>	<b>338,985</b>	<b>68,809</b>	<b>677,877</b>
	<b>2018</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b><u>Separate</u></b>				
Equities	-	-	1,553	1,553
Government bonds	95,649	184,671	-	280,320
Corporate securities	105,523	45,393	38,334	189,250
	<b>201,172</b>	<b>230,064</b>	<b>39,887</b>	<b>471,123</b>

**JMMB BANK (T&T) LIMITED**

## Notes to the Financial Statements

March 31, 2019

**26. Fair Value of Financial Assets and Liabilities (continued)***(c) Level 3 fair value measurements**(i) Reconciliation*

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

	Government		Total \$'000
	Bonds \$'000	Other \$'000	
<b><u>Consolidated 2019</u></b>			
Balance at April 1	386	42,784	43,170
Additions (settlements)	(22)	26,101	26,079
Total gains or losses:			
- in OCI	-	-	-
Balance at March 31	<u>364</u>	<u>68,885</u>	<u>69,249</u>
<b><u>Consolidated 2018</u></b>			
Balance at April 1	408	15,440	15,848
Additions (settlements)	(22)	27,345	27,323
Total gains or losses:			
- in OCI	-	(1)	(1)
Balance at March 31	<u>386</u>	<u>42,784</u>	<u>43,170</u>
<b><u>Separate 2019</u></b>			
Balance at April 1	-	39,887	39,887
Additions (settlements)	-	28,922	28,922
Total gains or losses:			
- in OCI	-	-	-
Balance at March 31	<u>-</u>	<u>68,809</u>	<u>68,809</u>
<b><u>Separate 2018</u></b>			
Balance at April 1	-	12,586	12,586
Additions (settlements)	-	27,302	27,302
Total gains or losses:			
- in OCI	-	(1)	(1)
Balance at March 31	<u>-</u>	<u>39,887</u>	<u>39,887</u>

**JMMB BANK (T&T) LIMITED**

## Notes to the Financial Statements

March 31, 2019

**26. Fair Value of Financial Assets and Liabilities (continued)***(c) Level 3 fair value measurements (continued)**(ii) Unobservable inputs used in measuring fair value*

The following table set out information about unobservable inputs used at year end in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Type of Financial Instrument	Fair Values at March 31, 2019	Valuation Technique	Significant (Unobservable) Input	Range of Estimates (weighted-average) for Unobservable Inputs	Fair Value Measurement Sensitivity to Unobservable Inputs
Bond	364	Valued at par	There is no active market for these bonds	N.A.	N.A.
Equities	1,555	Valued at cost	There is no active market for these equities	N.A.	N.A.
Other	67,330	Valued at par	No prices available for these investments	N.A.	N.A.

(N.A. – not applicable)

*(d) Financial instruments not measured at fair value*

The following table shows the financial assets and financial liabilities not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

**Consolidated**

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total Fair Value \$'000	Total Carrying Amount \$'000
<b>As at March 31, 2019</b>					
<b>Assets</b>					
Loans and advances					
to customers	-	-	1,259,656	1,259,656	1,259,656
Reverse repurchase agreements	-	-	7,433	7,433	7,433
Other assets	-	-	25,271	25,271	25,271
	-	-	1,292,360	1,292,360	1,292,360

**JMMB BANK (T&T) LIMITED**

Notes to the Financial Statements

March 31, 2019

**26. Fair Value of Financial Assets and Liabilities (continued)**

*(d) Financial instruments not measured at fair value (continued)*

**Consolidated** (continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>Total</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>Fair</u>	<u>Carrying</u>
				<u>Value</u>	<u>Amount</u>
				<u>\$'000</u>	<u>\$'000</u>
<b>As at March 31, 2019</b>					
<b><i>Liabilities</i></b>					
Customers' deposits	-	-	2,064,236	2,064,236	2,064,236
Other liabilities and accruals	-	-	45,558	45,558	45,558
Repurchase agreements	-	-	67,570	67,570	67,570
Debt Securities in issue	-	-	76,729	76,729	100,000
	-	-	2,254,093	2,254,093	2,277,364

**Consolidated**

**As at March 31, 2018**

***Assets***

<b>Loans and advances</b>					
to customers	-	-	1,141,535	1,141,535	1,141,535
Investment securities	-	3,000	-	3,000	3,000
Other assets	-	-	21,870	21,870	21,870
	-	3,000	1,163,405	1,166,405	1,166,405

***Liabilities***

Customers' deposits	-	-	1,758,736	1,758,736	1,758,736
Other liabilities and accruals	-	-	44,789	44,789	44,789
Debt Securities in issue	-	-	98,934	98,934	100,000
	-	-	1,902,459	1,902,459	1,903,525

**Separate**

**As at March 31, 2019**

***Assets***

<b>Loans and advances</b>					
to customers	-	-	1,230,414	1,230,414	1,230,414
Reverse repurchase agreements	-	-	7,433	7,433	7,433
Other assets	-	-	24,236	24,236	24,236
	-	-	1,262,083	1,262,083	1,262,083

**JMMB BANK (T&T) LIMITED**

Notes to the Financial Statements

March 31, 2019

**26. Fair Value of Financial Assets and Liabilities (continued)**

*(d) Financial instruments not measured at fair value (continued)*

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>Total</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>Fair</u>	<u>Carrying</u>
				<u>Value</u>	<u>Amount</u>
				<u>\$'000</u>	<u>\$'000</u>
<b>Separate (continued)</b>					
<b>As at March 31, 2019</b>					
<b>Liabilities</b>					
Customers' deposits	-	-	2,064,010	2,064,010	2,064,010
Due to subsidiary	-	-	9,957	9,957	9,957
Other liabilities and accruals	-	-	44,709	44,709	44,709
Repurchase agreements	-	-	67,570	67,570	67,570
Debt securities in issue	-	-	76,729	76,729	100,000
	-	-	2,262,975	2,262,975	2,286,246
<b>Separate</b>					
<b>As at March 31, 2018</b>					
<b>Assets</b>					
Loans and advances					
to customers	-	-	1,131,088	1,131,088	1,131,088
Investment securities	-	3,000	-	3,000	3,000
Other assets	-	-	21,845	21,845	21,845
	-	3,000	1,152,933	1,155,933	1,155,933
<b>Liabilities</b>					
Customers' deposits	-	-	1,758,512	1,758,512	1,758,512
Due to subsidiary	-	-	13,186	13,186	13,186
Other liabilities and accruals	-	-	44,485	44,485	44,485
Debt securities in issue	-	-	98,934	98,934	100,000
	-	-	1,915,117	1,915,117	1,916,183



**JMMB BANK (T&T) LIMITED**

## Notes to the Financial Statements

March 31, 2019

**27. Earnings per Share**

<b>Separate</b>			<b>Consolidated</b>	
<u>2018</u>	<u>2019</u>		<u>2019</u>	<u>2018</u>
<b>Earnings per share</b>				
<b>(i) Profit attributable to Ordinary Shares</b>				
<u>8,492</u>	<u>18,729</u>		<u>16,300</u>	<u>8,805</u>
<b>(ii) Weighted average number of ordinary shares</b>				
77,631	107,631	Ordinary Shares at Apr 1	107,631	77,631
<u>30,000</u>	.	Shares issued on Oct 4, 2018	<u>.</u>	<u>30,000</u>
<u>107,631</u>	<u>107,631</u>		<u>107,631</u>	<u>107,631</u>
<b>Weighted Average –number of Ordinary shares at March 31</b>				
<u>92,631</u>	<u>107,631</u>		<u>107,631</u>	<u>92,631</u>
<b>Earnings per share</b>				
<u>\$0.09</u>	<u>\$0.17</u>		<u>\$0.15</u>	<u>\$0.10</u>

**28. Events after the Reporting Date**

There are no events occurring after the reporting date and before the date of approval of the financial statements by the Board of Directors that require adjustment to or disclosure in these financial statements.