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INDEPENDENT AUDITORS' REPORT

To the Member of
JN BANK LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of JN Bank Limited ("the Bank"), set out on pages 5 to 98, which comprise the statement of financial position as at March 31, 2023, the statements of profit or loss, 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 give a true and fair view of the financial position of the Bank as at March 31, 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

Basis for Opinion

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

Report on the Audit of the Financial Statements (continued)

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

To the Member of
JN BANK LIMITED

Report on the Audit of the Financial Statements (continued)

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Member of
JN BANK LIMITED

Report on additional matters as required by the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner required.

KPMG

Chartered Accountants
Kingston, Jamaica

July 28, 2023

JN BANK LIMITED

Statement of Financial Position
March 31, 2023

	Notes	2023 $'000	2022 $'000 Restated*	2021 $'000 Restated*
ASSETS				
Cash resources	6,9(c)(ii)	27,952,452	29,205,481	31,985,906
Securities purchased under resale agreements	7	757,055	6,488,385	200,332
Investments	8	59,756,346	76,017,227	64,718,174
Due from related entities	9(c)(i)	492,770	379,174	427,875
Taxation recoverable		988,700	960,335	882,813
Loans, after allowance for impairment losses	11,9(c)(ii)	128,619,137	112,678,557	106,779,575
Other assets	12	3,709,479	2,049,253	813,280
Assets held for sale	13	33,467	84,232	111,982
Interest in associate	10	152,901	220,228	195,249
Investment property	14	815,000	735,000	607,776
Property, plant and equipment	15	4,011,057	4,132,308	4,255,353
Intangible assets	16	160,181	769,181	732,961
Deferred tax asset	17	2,978,703	2,196,209	1,470,372
Right-of-use assets	18(a)(i)	288,835	296,306	375,799
Total assets		230,716,083	236,211,876	213,557,447
LIABILITIES				
Due to specialised financial institutions		2,288,455	3,969,808	1,271,044
Customer deposits	19,9(c)(ii)	181,562,153	178,795,731	163,880,068
Due to related entities	9(c)(i)	205,944	149,148	-
Securities sold under repurchase agreements	20,9(c)(ii)	15,565,414	16,087,441	6,121,075
Other payables	21	1,872,859	1,571,105	1,804,182
Margin loan payable	22	2,086,715	-	2,346,923
Taxation payable		-	157,070	806,280
Employee benefits obligation	23(a)	670,027	1,199,957	1,113,099
Long-term loan	9(c)(iii)	222,725	14,532,700	14,871,728
Lease liabilities	18(a)(ii)	319,437	324,234	395,175
Total liabilities		204,793,729	216,787,194	192,609,574
EQUITY				
Share capital	24	11,511,000	4,511,000	4,511,000
Reserve fund	25	7,656,668	7,600,000	7,600,000
Contractual savings reserve	26	14,223	14,223	14,223
Other reserves	27	4,420,082	5,766,072	5,552,917
Retained earnings		2,320,381	1,533,387	3,269,733
Total equity		25,922,354	19,424,682	20,947,873
Total liabilities and equity		230,716,083	236,211,876	213,557,447

The financial statements on pages 5 to 98 were approved for issue by the Board of Directors on July 28, 2023 and signed on its behalf by:

Kathleen Moss
________________ Director
Kathleen A.J. Moss

________________ Director
Hon. Earl Jarrett, OJ, CD, JP, CStJ.

________________ Director
Leesa Kow

________________ Secretary
Shakira Pickersgill

*See Note 42
To be read in conjunction with the accompanying notes to the financial statements.

JN BANK LIMITED

Statement of Profit or Loss
Year ended March 31, 2023

	Notes	2023	2022
		$'000	$'000
			Restated*
Interest income calculated using the effective interest method:			
Interest on loans	9(d)	10,931,065	9,578,762
Interest on investments		2,611,901	2,045,499
		13,542,966	11,624,261
Interest expense calculated using the effective interest method	29,9(d)	(2,586,946)	(1,955,755)
Net interest income		10,956,020	9,668,506
Impairment losses on financial instruments	34(b)(vi)	(791,935)	(525,292)
(Loss)/gain on disposal of fair value through other comprehensive income (FVOCI) investment securities		(338)	713,826
Other operating income	30,9(d)	5,118,456	4,639,545
Fair value gain on investment property	14	80,000	127,224
Operating expenses	31,9(d)	(14,671,560)	(13,420,164)
Finance expense – leases	18(a)(iii)	(17,687)	(18,234)
Operating profit		672,956	1,185,411
Share of profit in associate	10	45,108	57,772
Unrealised foreign exchange gains/(losses)		150,384	(206,370)
Profit before taxation		868,448	1,036,813
Taxation	32	(376,084)	(578,830)
Profit for the year		492,364	457,983

*See Note 42

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

JN BANK LIMITED

Statement of Profit or Loss and Other Comprehensive Income
Year ended March 31, 2023

	Notes	2023 $'000	2022 $'000 Restated*
Profit for the year		492,364	457,983
Other comprehensive (loss)/income:			
Items that are or may be reclassified to profit or loss:			
Realised loss/(gain) on investments recognised in statement of profit or loss		338	(713,826)
Decrease in fair value of FVOCI investment securities, net of impairment losses		(2,125,551)	(1,433,125)
Deferred tax on FVOCI investment securities and ECL	17	658,438	630,387
		(1,466,775)	(1,516,564)
Items that will never be reclassified to profit or loss:			
Remeasurement of employee benefits obligation	23(d)	708,124	53,085
Deferred tax on employee benefits obligation	17	(236,041)	(17,695)
		472,083	35,390
Total other comprehensive loss for the year		(994,692)	(1,481,174)
Total comprehensive loss for the year		(502,328)	(1,023,191)

*See Note 42

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

JN BANK LIMITED

Statement of Changes in Equity
Year ended March 31, 2023

	Share capital $'000 (note 24)	Reserve fund $'000 (note 25)	Contractual savings reserve $'000 (note 26)	Other reserves $'000 (note 27)	Retained earnings $'000	Total equity $'000
Balances as at March 31, 2021, as previously reported	4,511,000	7,600,000	14,223	5,552,917	3,425,403	21,103,543
Prior year adjustments (note 42)	-	-	-	-	(155,670)	(155,670)
Balances as at March 31, 2021 as restated	4,511,000	7,600,000	14,223	5,552,917	3,269,733	20,947,873
Total comprehensive income for the year:						
Profit for the year, as previously reported	-	-	-	-	552,559	552,559
Prior year adjustments (note 42)	-	-	-	-	(94,576)	(94,576)
Profit for the year, as restated	-	-	-	-	457,983	457,983
Other comprehensive (loss)/income:						
Realised gain on investments recognised in statement of profit or loss	-	-	-	(713,826)	-	(713,826)
Decrease in fair value of investment securities classified as fair value through other comprehensive income (FVOCI), net of impairment losses	-	-	-	(1,433,125)	-	(1,433,125)
Deferred tax on FVOCI investment securites and ECL	-	-	-	630,387	-	630,387
Remeasurement of employee benefits obligation	-	-	-	-	53,085	53,085
Deferred tax on employee benefits obligation	-	-	-	-	(17,695)	(17,695)
Total other comprehensive (loss)/income	-	-	-	(1,516,564)	35,390	(1,481,174)
Total comprehensive (loss)/income, as restated	-	-	-	(1,516,564)	493,373	(1,023,191)
Movements between reserves:						
Transfer from credit loss reserve	-	-	-	(104,281)	104,281	-
Transfer to retained earnings reserve (note 28)	-	-	-	1,834,000	(1,834,000)	-
	-	-	-	1,729,719	(1,729,719)	-
Transaction with owners:						
Dividends (note 38)	-	-	-	-	(500,000)	(500,000)
Balances as at March 31, 2022, as restated	4,511,000	7,600,000	14,223	5,766,072	1,533,387	19,424,682
Total comprehensive income for the year:						
Profit for the year	-	-	-	-	492,364	492,364
Other comprehensive (loss)/income:						
Realised loss on investments recognised in statement of profit or loss	-	-	-	338	-	338
Decrease in fair value of investment securities classified as fair value through other comprehensive income (FVOCI), net of impairment losses	-	-	-	(2,125,551)	-	(2,125,551)
Deferred tax on FVOCI investment securities and ECL	-	-	-	658,438	-	658,438
Remeasurement of employee benefits obligation	-	-	-	-	708,124	708,124
Deferred tax on employee benefits obligation	-	-	-	-	(236,041)	(236,041)
Total other comprehensive (loss)/income	-	-	-	(1,466,775)	472,083	(994,692)
Total comprehensive (loss)/income	-	-	-	(1,466,775)	964,447	(502,328)
Movements between reserves:s						
Transfer to reserve fund (note 25)	-	56,668	-	-	(56,668)	-
Transfer to credit loss reserve	-	-	-	120,785	(120,785)	-
	-	56,668	-	120,785	(177,453)	-
Transaction with owners:						
Issue of shares	7,000,000	-	-	-	-	7,000,000
Balances as at March 31, 2023	11,511,000	7,656,668	14,223	4,420,082	2,320,381	25,922,354

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

JN BANK LIMITED

Statement of Cash Flows
Year ended March 31, 2023

	Notes	2023 $'000	2022 $'000 Restated*
Cash flows from operating activities			
Profit for the year		492,364	457,983
Adjustments to reconcile profit for the year to net cash provided by operating activities:			
Depreciation - property, plant and equipment	15	337,233	323,736
Depreciation on right-of-use assets	18(a)(i)	105,551	109,099
Amortisation of intangible assets	16	59,509	226,421
Gain on disposal of property, plant and equipment	30	(7,486)	(44,892)
Gain on disposal of foreclosed property	30	(6,101)	(14,868)
Loss/ (gain) on disposal of investments		338	(713,826)
Fair value gain on investment property	14	(80,000)	(127,224)
Gain from foreign exchange rate changes		(267,716)	(6,322)
Gain from specialised financial institutions		(943,222)	-
Share of profit in associate	10	(45,108)	(57,772)
Impairment losses on financial instruments	34(b)(vi)	791,935	525,292
Dividend income	30	(27,720)	(22,108)
Interest income		(13,542,966)	(11,624,261)
Interest expense	29	2,586,946	1,955,755
Interest expense on lease liabilities	18(a)(iii)	17,687	18,234
Tax expense	32(a)(i)	736,181	691,975
Deferred taxation	32(a)(ii)	(360,097)	(113,145)
Benefits paid	23(b)	(15,262)	(10,650)
Current service cost	23(b)	74,223	56,432
Interest cost	23(b)	119,233	94,161
		(9,974,478)	(8,275,980)
Changes in operating assets and liabilities:			
Due from related entities		(116,219)	39,100
Taxation recoverable		(129)	(77,522)
Loans		(17,089,017)	(6,447,950)
Other assets		(1,714,338)	(1,025,564)
Customer deposits		5,268,813	11,871,879
Due to related entities		56,944	149,148
Margin loan payable		2,086,716	(2,346,923)
Other payables		315,633	(242,754)
Statutory reserves at Bank of Jamaica		450,905	(1,426,712)
		(20,715,170)	(7,783,278)
Interest paid		(2,607,122)	(1,807,418)
Interest received		13,545,794	11,637,822
Income tax paid		(921,752)	(1,341,185)
Net cash (used in)/ provided by operating activities		(10,698,250)	705,941
Cash flows from investing activities			
Securities purchased under resale agreements		-	(6,266,049)
Securities sold under resale agreements		5,726,420-	-
Purchase of investments		-	(70,915,169)
Sale of investments		6,285,298	-
Dividend received		27,720	22,108
Increase in assets held for sale		18,926	-
Dividends from equity accounted investee	10	111,000	43,940
Purchase of intangible assets	16	(78,000)	(262,641)
Purchase of property, plant and equipment	15	(217,929)	(241,961)
Proceeds from disposal of assets held for sale		37,708	42,618
Proceeds from disposal of property, plant and equipment		9,432	86,162
Proceeds from disposal of intangible assets		609,558	-
Proceeds from disposal of investments		6,569,669	60,362,857
Net cash provided by/ (used in) investing activities		19,099,802	(17,128,135)
Net cash provided by/ (used in) operating and investing activities (page 10)		8,401,552	(16,422,194)

*See Note 42

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

JN BANK LIMITED

Statement of Cash Flows (Continued)
Year ended March 31, 2023

	Notes	2023 $'000	2022 $'000 Restated*
Net cash provided by/ (used in) operating and investing activities (page 9)		8,401,552	(16,422,194)
Cash flows from financing activities			
Securities sold under repurchase agreements		-	9,840,308
Securities purchased under repurchase agreements		(486,963)	-
Payment of lease liabilities	18(a)(iv)	(120,565)	(118,781)
Proceeds from due to specialised financial institutions		2,201,166	2,798,277
Payments to due to specialised financial institutions		(2,939,489)	(99,514)
Proceeds from long-term loan		-	362,120
Payments to long-term loan		(14,310,275)	(701,148)
Issue of new share		7,000,000	-
Dividends paid	38	-	(500,000)
Net cash (used in)/ provided by financing activities		(8,656,126)	11,581,262
Net decrease in cash and cash equivalents		(254,574)	(4,840,932)
Cash and cash equivalents at beginning of year		14,128,961	18,336,098
Effects of exchange rate changes on cash and cash equivalents		(547,772)	633,795
Cash and cash equivalents at end of year	6	13,326,615	14,128,961

*See Note 42

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

JN BANK LIMITED

Notes to the Financial Statements
March 31, 2023

1. The Bank

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

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

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

During the year, The Board of Directors of JN Bank Limited granted approval for the integration of JN Small Business Loans Limited into JN Bank Limited as a part of the wider strategy to harmonise the credit systems across the JN Group (see note 40).

2. Licence and regulation

The Bank is licensed, and the financial statements are delivered, under the Banking Services Act, 2014 and the Banking Services Regulations, 2015, which became effective on September 30, 2015.

3. Statement of compliance and basis of preparation

(a) Statement of compliance:

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and comply with the relevant provisions of the Jamaican Companies Act.

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

(b) Basis of preparation:

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

- financial instruments at fair value through profit or loss are measured at fair value;
- financial instruments at fair value through other comprehensive income are measured at fair value;
- the liability for defined-benefit obligations is recognised as the present value of the defined-benefit obligations less the value of plan assets;
- investment properties measured at fair value subsequent to initial recognition, with any change therein recognised in profit or loss.

The preparation of the financial statements in conformity with IFRS assumes that the Bank will continue in operational existence for the foreseeable future. This means that the statements of financial position and profit or loss and other comprehensive income assume no intention or necessity to liquidate or curtail the scale of operations. This is commonly referred to as the going concern basis.

3. Statement of compliance and basis of preparation (continued)

(c) Functional and presentation currency:

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The financial statements are presented in Jamaica dollars, which is the functional currency of the Bank, and are rounded to the nearest thousand dollars, unless otherwise stated.

(d) Use of estimates, assumptions and judgements:

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

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

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

4. Accounting estimates and judgements

(a) Key sources of estimation uncertainty:

The key assumptions about the future and other major sources of estimation uncertainty that have a significant risk of the carrying amounts of assets and liabilities at the reporting date being materially adjusted in the year ending March 31, 2024 are follows:

(i) Post-retirement benefits [Note 23]:

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

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

4. Accounting estimates and judgements (continued)

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

(ii) Allowance for impairment losses [Note 34 (b)]:

Measurement of the expected credit loss (ECL) allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and fair value through other comprehensive income (FVOCI) 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). The explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in notes 34(b) and 39(a).

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

- Establishing the criteria for determining whether credit risk has increased significantly since initial recognition;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the Bank in the above areas is set out in note 34(b).

Sensitivity of ECL to future economic conditions

The ECL are sensitive to judgements and assumptions made regarding formulation of forward-looking scenarios and how such scenarios are incorporated into the calculations. Management performs a sensitivity analysis on the ECL recognised on material classes of its assets.

5. Responsibilities of the appointed actuaries

Constance Dalmadge Hall of Eckler Limited has been appointed Actuary by the Board of directors pursuant to the requirements of IAS 19. With respect to preparation of financial statements, the actuary is required to carry out an actuarial valuation of management's estimate of the Bank's group health and group life liabilities and report thereon to the members. In performing the valuation using the projected unit credit method the actuary makes assumptions as to medical inflation rate, ageing factors (medical and dental), mortality, withdrawal and retirement rates and claim costs.

The valuation is made in accordance with accepted actuarial practice, as well as any other matter specified in any directive made by regulatory authorities. The actuary's report outlines the scope of her work and opinion. An actuarial valuation is prepared annually.

JN BANK LIMITED

Notes to the Financial Statements
March 31, 2023

6. Cash resources

	2023 $'000	2022 $'000
Cash and cash equivalents for statement of cash flows [see (c)]	13,326,615	14,128,961
Cash reserve with Bank of Jamaica [see (a)]	14,625,837	15,076,520
	27,952,452	29,205,481

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

At March 31, 2023, the required percentage of average prescribed liabilities was 5% (2022: 5%) for Jamaica dollar and 13% (2022: 13%) for foreign currency liabilities. On April 1, 2023 the cash reserves requirement was increased to 6% for Jamaica dollar and 14% for foreign currency, of the average prescribed liabilities respectively.

(b) The Bank has a $145,000,000 (2022: $145,000,000) unsecured overdraft facility with a commercial bank. The facility was not utilised over the period.

(c) Cash and cash equivalents represent cash on hand and balances with banks.

7. Securities purchased under resale agreements

	2023 $'000	2022 $'000
Principal	739,244	6,466,049
Interest receivable	17,811	22,336
	757,055	6,488,385

At March 31, 2023, securities obtained and held under resale agreements had a fair value of $921,199,000 (2022: $7,337,385,000).

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

	2023 $'000	2022 $'000
Within 3 months	299,062	2,557,633
3 months to 1 year	440,182	3,908,416
	739,244	6,466,049

JN BANK LIMITED

Notes to the Financial Statements
March 31, 2023

8. Investments

	2023 $'000	2022 $'000
Amortised cost		
Corporate bonds	-	1,500
Certificates of deposit [see (iv) below]	2,656,104	7,992,115
Less ECL for debt securities	(223)	(10,778)
	2,655,881	7,982,837
Fair value through other comprehensive income		
Corporate bonds	9,400,567	11,625,327
Government of Jamaica securities [see note 34 (b)(vi) and (iii) below]	40,588,374	47,909,402
Treasury bills	6,069,197	7,458,272
Quoted equities	275,222	275,721
Promissory note	49,829	50,204
Unquoted equities [see (i) below]	19,608	19,608
	56,402,797	67,338,534
Investments, excluding interest receivable	59,058,678	75,321,371
Interest receivable	697,668	695,856
	59,756,346	76,017,227

(i) The Bank holds 5,020,000 (2022: 5,020,000) units of shares in Automated Payments Limited, an automated clearing house operator. These shares are classified as fair value through other comprehensive income.

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

	2023 $'000	2022 $'000
No maturity – equity instruments	294,830	296,829
Within 3 months	7,781,332	15,959,630
3 months to 1 year	9,591,125	5,991,172
1 year to 5 years	5,702,320	13,401,997
5 years and over	35,689,294	39,682,521
	59,058,901	75,332,149
Less ECL for debt securities	(223)	(10,778)
	59,058,678	75,321,371

(iii) The Bank pledged investments amounting to $768,489,000 (2022: $743,214,000) to facilitate settlement of Multilink transactions.

(iv) Certificates of deposit amounting to $3,033,000 (2022: $3,016,000) were pledged to cover a third party guarantee.

JN BANK LIMITED

Notes to the Financial Statements
March 31, 2023

9. Related party balances and transactions

(a) Definition of related party

A related party is a person or entity that is related to the Bank.

A. A person or a close member of that person's family is related to the Bank if that person:

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

B. An entity is related to the Bank if any of the following conditions applies:

(i) The entity and the Bank are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Bank or an entity related to the Bank.

(vi) The entity is controlled, or jointly controlled, by a person identified in A.

(vii) A person identified in A(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Bank (or to the parent of the Bank).

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

(b) Identity of related parties:

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

(c) Balances with related entities:

		2023 $'000	2022 $'000
(i)	Due from related entities	492,770	379,174
	Due to related entities	(205,944)	(149,148)
		286,826	230,026

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JN BANK LIMITED

Notes to the Financial Statements
March 31, 2023

9. Related party balances and transactions (continued)

(c) Balances with related entities (continued):

Balances due from and to related entities are unsecured, interest free and due for settlement twelve months after the reporting date

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

	2023 $'000	2022 $'000
Cash and cash equivalents		
Other related entities	8,399	8,557
Loans		
Directors (note 11)	100,511	104,172
Other key management personnel	96,158	103,904
Other related entities [see (iv) below]	847,535	365,854
Customer deposits		
Directors	(83,189)	(38,540)
Other key management personnel	(7,690)	(21,463)
Ultimate parent	(162,203)	(273,660)
Parent	(16,734)	(20,972)
Other related entities	(3,510,213)	(4,478,750)
Securities sold under repurchase agreements		
Other related entities [see (v) below]	(8,789,470)	(6,197,065)
Long-term loan		
Ultimate parent [see (iii) below]	-	(14,170,580)
Other related entities	(222,725)	(362,120)

(iii) During the year, the bank liquidated its long-term loan due to the its ultimate parent company.

(iv) Loans due from other related entities bear a fixed interest rate in the range of 11.75% and 13% are payable within twelve months of the reporting date. The ECL on these balances is immaterial.

(v) Securities sold under repurchase agreements to related entities bear interest in the range of 5% to 9%. They are set to mature seven months after the reporting date.

(vi) During the year the Bank purchased assets from related entities amounting to $274,069,000 (2022: $317,077,000). These are recorded in property, plant and equipment (note 15), as well as expenditure on IT projects in progress, included in other assets (note 12).

(vii) During the year, the Bank purchased loan portfolio from JN Bank UK amounting to $1.92b.

JN BANK LIMITED

Notes to the Financial Statements
March 31, 2023

9. Related party balances and transactions (continued)

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

	2023 $'000	2022 $'000
Income:		
Interest income		
Ultimate parent	(11,244)	-
Other related parties	(22,921)	(50,922)
Management fees		
Ultimate parent	(23,956)	(126,543)
Other related entities	(155,993)	(304,825)
Other income		
Ultimate parent	(3,638)	(4,252)
Other related entities	(124,340)	(123,414)
Expense:		
Maintenance expenses		
Other related entities	85,784	14,051
Management fees		
Ultimate parent	959,407	875,902
Parent	175,897	125,499
Other related entities	17,173	139,609
Computer related expenses		
Other related entities	531,208	566,145
Commission		
Other related entities	298,116	292,470
Lease interest expense		
Other related entities	2,740	3,642
Depreciation of right-of-use assets		
Other related entities	21,694	21,451
Service expense		
Ultimate parent	1,395,100	1,317,048
Other related entities	785,922	630,124
Insurance		
Other related entities	136,870	112,752
Interest expense		
Ultimate parent	88,397	441,737
Parent	2,596	272
Other related entities	498,572	231,913
Marketing		
Other related entities	91,690	85,195
Other related parties:		
Contribution to pension scheme	159,384	133,809
Contribution to JN Foundation	25,000	25,834

(e) Compensation paid to key management personnel (senior executives), included in staff costs (note 33), is as follows:

	2023 $'000	2022 $'000
Short-term benefits	128,187	121,290
Post-employment benefits	5,136	4,743
	133,323	126,033

JN BANK LIMITED

Notes to the Financial Statements
March 31, 2023

10. Interest in associate

Interest in associate held by the Bank represents a 20% shareholding in JN Money Services (Cayman) Limited. The nature of business is money transfer service, including remittance and bill payments. The Bank's interest in associate has been recorded in these financial statements using the equity method [see note 39(n)].

	JN Money Services (Cayman) Limited	
	2023 $'000	2022 $'000
Percentage ownership interest	**20%**	**20%**
Non-current assets	477,714	506,584
Current assets	1,316,138	1,695,727
Current liabilities	(1,104,213)	(1,172,480)
Non-current liabilities	(7,881)	(8,050)
Net assets (100%)	681,758	1,021,781
Bank's share of net assets (20%)	136,352	204,356
Foreign currency adjustment	16,549	15,872
Carrying amount of interest in associate	152,901	220,228
Revenue	1,120,691	1,109,205
Expenses	(895,151)	(820,344)
Profit, (being 100%)	225,540	288,861
Bank's share of profit in associate Profit, (being 20%)	45,108	57,772
Dividends received by Bank	111,000	43,940

11. Loans, after allowance for impairment losses

	2023 $'000	2022 $'000 Restated*
Mortgage loans – principal [see (b)]	87,302,917	81,581,945
Term loans	1,423,568	1,204,451
Demand loans	14,302,824	8,252,930
Auto loans	5,669,073	5,336,110
Personal loans	10,818,328	9,668,215
Other loans [see (c)]	8,501,405	6,033,769
	128,018,115	112,077,420
Accrued interest	601,022	601,137
	128,619,137	112,678,557

(a) Loan maturity analysis:

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

	2023 $'000	2022 $'000 Restated*
Within 3 months	4,858,971	2,758,174
3 months to 1 year	1,968,169	2,475,649
1 year to 5 years	25,928,824	19,750,227
5 years and over	95,262,151	87,093,370
	128,018,115	112,077,420

*See Note 42

JN BANK LIMITED

Notes to the Financial Statements
March 31, 2023

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

(a) Loan maturity analysis (continued):

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

	Number of accounts		Value	
	2023	2022	2023	2022
			$'000	$'000 Restated*
Professional and other services	2,407	501	1,088,533	2,744,841
Individuals	94,996	75,161	108,888,512	100,808,529
Corporations	378	226	18,642,092	9,125,187
	97,781	75,888	128,619,137	112,678,557

*See Note 42

Loans and advances on which interest is no longer accrued [see note 39(r)] amounted to $11,140,164,000 (2022: $10,452,229,000). This represents 8.42% (2022: 9.05%) of the gross loan portfolio. These loans are included in the financial statements net of allowance for losses.

(b) Allowance for loan losses:

Impairment losses on loans are as follows:

	2023	2022
	$'000	$'000
At beginning of year	2,402,932	1,835,261
Increase in allowance made during the year [note 34(b)(vi)]	811,943	615,313
Transfer from merger [note 40]	196,875	-
Write-offs during the year [note 34(b)(vi)]	(101,610)	(47,642)
At end of year [note 34(b)(vi)]	3,310,140	2,402,932

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

	2023	2022
	$'000	$'000
Allowance for expected credit losses based on IFRS	3,310,140	2,402,932

Regulatory provisions required to be made in accordance with Bank of Jamaica provisioning requirements, section 132 (1) are as follows:

	2023	2022
	$'000	$'000
Specific allowance	2,529,623	1,735,423
General allowance	1,271,985	1,038,192
	3,801,608	2,773,615

JN BANK LIMITED

Notes to the Financial Statements
March 31, 2023

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

(b) Allowance for loan losses (continued):

The total allowance is broken down as follows:

	2023 $'000	2022 $'000
Provision as per IFRS	3,310,140	2,402,932
Additional allowance recognised as a reserve in equity based on Bank of Jamaica requirements requirements [note 27(b)]	491,468	370,683
	3,801,608	2,773,615

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

(i) Included in mortgage loans are balances due from directors and companies controlled by directors amounting to $100,511,000 (2022: $104,172,000) and interest due on these loans of $6,731 (2022: $6,700).

(ii) During the year the Bank purchased loans at fair value from JN Bank UK amounting to J$1.92b (GBP£10.3M). As at March 31, 2023 the carrying value of the portfolio was J$1.87b.

12. Other assets

	2023 $'000	2022 $'000 Restated*
Deposits on property, plant and equipment	136,903	144,769
Expenditure on IT projects in progress	2,142,601	1,089,758
Other receivables [see (i) below]	1,403,864	783,030
Inventories	26,111	31,696
	3,709,479	2,049,253

*See Note 42

(i) The Bank pledged other assets amounting to $47,346,000 (2022: $48,248,000) for bid collateral related to guarantees issued by other banks.

13. Assets held for sale

	2023 $'000	2022 $'000
Foreclosed properties	490,376	550,720
Less impairment losses (see note below)	(456,909)	(466,488)
	33,467	84,232

JN BANK LIMITED

Notes to the Financial Statements
March 31, 2023

13. Assets held for sale (continued)

Note: Movement on impairment losses is as follows:

	2023 $'000	2022 $'000
At beginning of year	466,488	466,488
Write-off	(9,579)	-
At end of year	456,909	466,488

The Bank acquired real properties through foreclosure on collateral held as securities against loans. Foreclosed properties should be disposed of within 3 years of acquisition, in accordance with Section 53(1) of the Banking Services Act, 2014 [see note 39(h)].

14. Investment property

	$'000
Balance at March 31, 2021	607,776
Change in fair value	127,224
Balance at March 31, 2022	735,000
Change in fair value	80,000
Balance at March 31, 2023	815,000

	2023 $'000	2022 $'000
Income earned from the properties[see (i) below]	16,142	22,023
Expenses incurred by the properties	13,328	15,651

(i) Income earned from properties is included in sundry income in note 30(b).

Measurement of fair value:

The fair value of investment property is categorised as level 2 and level 3 in the fair value hierarchy. The following table shows the valuation technique used in measuring the fair value as well as the significant unobservable/observable inputs used. The valuation of the property is carried out by independent qualified valuators. Also, the valuers have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values.

JN BANK LIMITED

Notes to the Financial Statements
March 31, 2023

14. Investment property (continued)

(i) Income earned from properties is included in sundry income in note 30(b).

Measurement of fair value (continued):

Valuation technique	Significant unobservable/observable inputs	Inter-relationship between key inputs and fair value measurement
Income approach: The valuation model examines the price an investor would be prepared to pay for the right to receive a certain income stream. The model considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rate, and current rental rates. The estimated net cash flows are discounted using current yields. Among other factors, the yield estimation considers the quality of a building and its location, tenants' credit quality and lease terms.	• Expected market rental growth yields (6%-8%) • Occupancy rate (75%-65%) • Risk adjusted discount rate (9%)	The estimated fair value would increase/(decrease) if: • Expected market rental growth were higher/(lower); • The occupancy rates were higher/(lower); • Rent-free periods were shorter/(longer); or • Yields were lower/(higher)
Sales comparison method: The method considers transactions of comparable properties in the area and similar areas for which the price, size of the property, terms and conditions of sales are known.	Per square feet value was derived based on similar property values. The value of a square feet in the property portfolio ranges from $10,000 to $12,000.	The estimated fair value would increase/ (decrease) if comparable property value was higher /(lesser)

JN BANK LIMITED

Notes to the Financial Statements
March 31, 2023

15. Property, plant and equipment

	Freehold land and buildings $'000	Leasehold land and buildings $'000	Computers and office equipment $'000	Motor vehicles $'000	Work-in-progress $'000	Total $'000
Cost:						
March 31, 2021	2,860,116	252,547	3,750,265	526,298	856,262	8,245,488
Additions	277	-	206,912	-	34,772	241,961
Disposals	(36,722)	-	-	(73,487)	-	(110,209)
March 31, 2022	2,823,671	252,547	3,957,177	452,811	891,034	8,377,240
Additions/(transfer)	397,997	21,826	506,225	10,288	(718,407)	217,929
Disposals	-	-	-	(28,002)	-	(28,002)
March 31, 2023	3,221,668	274,373	4,463,402	435,097	172,627	8,567,167
Depreciation:						
March 31, 2021	674,248	220,904	2,667,258	427,725	-	3,990,135
Charge for the year	79,583	-	198,770	45,383	-	323,736
Eliminated on disposals	(9,595)	-	-	(59,344)	-	(68,939)
March 31, 2022	744,236	220,904	2,866,028	413,764	-	4,244,932
Charge for the year	80,464	4,780	222,380	29,609	-	337,233
Eliminated on disposals	-	-	-	(26,055)	-	(26,055)
March 31, 2023	824,700	225,684	3,088,408	417,318	-	4,556,110
Net book values:						
March 31, 2023	2,396,968	48,689	1,374,994	17,779	172,627	4,011,057
March 31, 2022	2,079,435	31,643	1,091,149	39,047	891,034	4,132,308
March 31, 2021	2,185,868	31,643	1,083,007	98,573	856,262	4,255,353

Included in freehold land and buildings is the cost of land at $98,058,000 (2022: $98,058,000).

JN BANK LIMITED

Notes to the Financial Statements
March 31, 2023

16. Intangible assets

	Software $'000
Cost:	
March 31, 2021	1,780,326
Additions	262,641
March 31, 2022	2,042,967
Additions	78,000
Disposal	(900,546)
March 31, 2023	1,220,421
Amortisation:	
March 31, 2021	1,047,365
Charge for the year	226,421
March 31, 2022	1,273,786
Charge for the year	59,509
Eliminated on disposal	(273,055)
March 31, 2023	1,060,240
Net book values:	
March 31, 2023	160,181
March 31, 2022	769,181
March 31, 2021	732,961

17. Deferred tax asset

	Assets		Liabilities		Net	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Property, plant and equipment	129,236	243,311	-	-	129,236	243,311
Employee benefits obligation	223,320	399,986	-	-	223,320	399,986
Other payables	70,281	47,195	-	-	70,281	47,195
Contractual savings reserve	-	-	(4,741)	(4,741)	(4,741)	(4,741)
Investments	2,394,038	896,786	-	-	2,394,038	896,786
ECL on investment securities at FVOCI	-	3,593	(52,278)	-	(52,278)	3,593
Impairment losses on loans	261,147	578,474	-	-	261,147	578,474
Right-of-use-assets	-	-	(96,269)	(98,769)	(96,269)	(98,769)
ECL on receivables	19,738	24,130	-	-	19,738	24,130
Lease liabilities	106,468	108,078	-	-	106,468	108,078
Fair value acquired loan portfolio	-	-	(45,926)	(40,173)	(45,926)	(40,173)
Unrealised foreign exchange gains/(losses)	-	38,339	(26,311)	-	(26,311)	38,339
Net deferred tax asset	3,204,228	2,339,892	(225,525)	(143,683)	2,978,703	2,196,209

JN BANK LIMITED

Notes to the Financial Statements
March 31, 2023

17. Deferred tax asset (continued)

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

	2023			
	Balances at April 1, 2022 $'000	Recognised in profit $'000	Recognised in other comprehensive income $'000	Balances at March 31, 2023 $'000
Property, plant and equipment	243,311	(114,075)	-	129,236
Employee benefits obligation	399,986	59,375	(236,041)	223,320
Other payables	47,195	23,086	-	70,281
Contractual savings reserve	(4,741)	-	-	(4,741)
Investments	896,786	786,462	710,790	2,394,038
ECL on investment securities at FVOCI	3,593	(3,519)	(52,352)	(52,278)
Impairment losses on loans	578,474	(317,327)	-	261,147
Right-of-use-assets	(98,769)	2,500	-	(96,269)
ECL on receivables	24,130	(4,392)	-	19,738
Lease liabilities	108,078	(1,610)	-	106,468
Fair value acquired loan portfolio	(40,173)	(5,753)	-	(45,926)
Unrealised foreign exchange gains/(losses)	38,339	(64,650)	-	(26,311)
	2,196,209	360,097	422,397	2,978,703

	2022			
	Balances at April 1, 2021 $'000	Recognised in profit $'000	Recognised in other comprehensive income $'000	Balances at March 31, 2022 $'000
Property, plant and equipment	228,021	15,290	-	243,311
Employee benefits obligation	374,629	43,052	(17,695)	399,986
Other payables	70,667	(23,472)	-	47,195
Contractual savings reserve	(4,267)	(474)	-	(4,741)
Investments	210,236	-	686,550	896,786
ECL on investment securities at FVOCI	4,499	55,257	(56,163)	3,593
Impairment losses on loans	532,219	46,255	-	578,474
Right-of-use-assets	(125,266)	26,497	-	(98,769)
ECL on receivables	21,133	2,997	-	24,130
Lease liabilities	131,725	(23,647)	-	108,078
Fair value acquired loan portfolio	-	(40,173)	-	(40,173)
Unrealised foreign exchange gains	26,776	11,563	-	38,339
	1,470,372	113,145	612,692	2,196,209

Movement in temporary differences during the year:

	2023 $'000	2022 $'000
Net deferred tax asset at beginning of year	2,196,209	1,470,372
Recognised in other comprehensive income:		
Deferred tax adjustment on FVOCI investment securities and ECL on investment securities at FVOCI	658,438	630,387
Employee benefits obligation	(236,041)	(17,695)
	422,397	612,692
	2,618,606	2,083,064
Recognised in profit [note 32(a)(ii)]	360,097	113,145
Net deferred tax asset at end of year	2,978,703	2,196,209

JN BANK LIMITED

Notes to the Financial Statements
March 31, 2023

18. Leases

(a) The Bank leases buildings. The leases typically have a duration of a period of 3 years, with an option to renew the lease upon expiration. Lease payments are renegotiated annually to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices.

The Bank has elected not to recognise right-of-use assets and lease liabilities for leases that are short-term and/or leases of low-value items.

Information about leases for which the Bank is a lessee is presented below.

(i) Right-of-use assets

	Freehold land and building $'000	Leasehold land and building $'000	Motor vehicles $'000	Total $'000
Cost:				
March 31, 2021	453,307	79,520	49,872	582,699
Additions	29,606	-	-	29,606
March 31, 2022	482,913	79,520	49,872	612,305
Additions	-	83,934	14,146	98,080
March 31, 2023	482,913	163,454	64,018	710,385
Depreciation:				
March 31, 2021	159,627	43,464	3,809	206,900
Charge for the year	80,828	18,297	9,974	109,099
March 31, 2022	240,455	61,761	13,783	315,999
Charge for the year	59,336	35,062	11,153	105,551
March 31, 2023	299,791	96,823	24,936	421,550
Net book values:				
March 31, 2023	183,122	66,631	39,082	288,835
March 31, 2022	242,458	17,759	36,089	296,306
March 31, 2021	293,680	36,056	46,063	375,799

(ii) Lease liabilities

	2023 $'000	2022 $'000
Lease liabilities included in the statement of financial position	319,437	324,234
Lease liabilities are classified as follows:		
Current	74,958	84,899
Non-current	244,479	239,335
	319,437	324,234
Maturity analysis of contractual undiscounted cash flows:		
Less than one year	87,546	91,407
One to two years	77,121	62,355
Two to five years	67,495	53,003
More than five years	119,288	158,967

JN BANK LIMITED

Notes to the Financial Statements
March 31, 2023

18. Leases (continued)

(a) (Continued)

(iii) Amounts recognised in profit or loss

	2023	2022
	$'000	$'000
Interest expense on lease liabilities	17,687	18,234
Depreciation on right-of-use assets (note 31)	105,551	109,099

(iv) Amounts recognised in statement of cash flows:

	2023	2022
	$'000	$'000
Total cash outflow for leases	120,565	118,781

(v) Extension options

Some property leases contain extension options exercisable by the Bank up to one year before the end of the non-cancellable contract period. Where practicable, the Bank includes extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Bank and not by the lessors. The Bank assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Bank reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

(b) Leases as lessor

The Bank leases out properties. The Bank has classified these as operating leases because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	2023	2022
	$'000	$'000
Less than one year	83,170	90,807
One to five years	129,943	140,907
Total	213,113	231,714

Rental income recognised by the Bank during the year ended March 31, 2023 was $16,142,000 (2022: $22,023,000).

JN BANK LIMITED

Notes to the Financial Statements
March 31, 2023

19. Customer deposits

	2023 $'000	2022 $'000
Deposits	181,240,106	178,488,572
Accrued interest	322,047	307,159
	181,562,153	178,795,731

Customer deposits are due, from the reporting date, as follows:

	2023 $'000	2022 $'000
Within 3 months (including on demand or short notice)	163,206,718	145,357,630
From 3 months to 1 year	15,072,299	31,364,291
Over 1 year	3,283,136	2,073,810
	181,562,153	178,795,731

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

	Number of accounts		Value	
	2023 '000	2022 '000	2023 $'000	2022 $'000
Public authorities	661	635	3,243,788	2,592,634
Financial institutions	299	187	9,708,334	9,351,205
Commercial and business	9,821	7,769	14,692,232	13,629,581
Individuals	1,089,177	968,366	153,917,799	153,222,311
	1,099,958	976,957	181,562,153	178,795,731

20. Securities sold under repurchase agreements

	2023 $'000	2022 $'000
Principal	15,465,366	15,952,329
Interest payable	100,048	135,112
	15,565,414	16,087,441

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

	2023 $'000	2022 $'000
Within 3 months	13,967,311	9,738,685
From 3 months to 1 year	1,498,055	6,213,644
	15,465,366	15,952,329

JN BANK LIMITED

Notes to the Financial Statements
March 31, 2023

20. Securities sold under repurchase agreements (continued)

At the reporting date, securities obtained under resale agreements and USD Global bonds were pledged by the Bank as collateral for repurchase agreements. These financial instruments have a carrying value of $19,538,802,000 (2022: $20,778,684,000).

21. Other payables

	2023 $'000	2022 $'000
Staff related accrual	318,290	477,471
Insurance payable	253,681	127,650
Trade payables	363,507	226,897
Other payables	361,800	211,513
Collected funds [see (i) below]	575,581	527,574
	1,872,859	1,571,105

(i) Collected funds include amounts collected from customers on behalf of related entities amounting to $478,881,000 (2022: $403,609,000).

22. Margin loan payable

Margin loan payable represents a short-term debt facility provided by a brokerage firm to the Bank to acquire securities on its own account. At year end, this amounted to $2,086,715,000 (2022: Nil). The facility bore interest at 6% (2022: 1%) per annum. During the year, the Bank pledged Global Bonds amounting to USD$15b (2022: Nil) for margin loan facility.

23. Employee benefits obligation

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

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

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

The Bank provides post-retirement health insurance benefits to retirees who have met certain minimum service requirements. It also provides life insurance under a group life plan to permanent employees and retirees.

JN BANK LIMITED

Notes to the Financial Statements
March 31, 2023

23. Employee benefits obligation (continued)

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

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

	2023 $'000	2022 $'000
Present value of unfunded obligations	670,027	1,199,957

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

	2023 $'000	2022 $'000
Present value of unfunded obligations and supplementary benefit at beginning of year	1,199,957	1,113,099
Benefits paid	(15,262)	(10,650)
Current service cost	74,223	56,432
Interest cost	119,233	94,161
Actuarial gain arising from:		
Experience adjustments	(35,560)	(25,362)
Demographic assumption	96,540	(31,351)
Financial assumptions	(769,104)	3,628
Balance at end of year	670,027	1,199,957

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

	2023 $'000	2022 $'000
Current service cost	74,223	56,432
Interest cost on obligation	119,233	94,161
	193,456	150,593

(d) Items recognised in other comprehensive income:

	2023 $'000	2022 $'000
Remeasurement gain on obligation	(708,124)	(53,085)

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

	2023 %	2022 %
Discount rate at March 31	13.0	8.0
Health cost inflation rate	5.5	6.0
Interest on contributions	13.0	8.0

JN BANK LIMITED

Notes to the Financial Statements
March 31, 2023

23. Employee benefits obligation (continued)

(f) Sensitivity of projected benefit obligation to movements in assumed rates:

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

	2023		2022	
	Increase %	Decrease %	Increase 1 %	Decrease 1 %
	$'000	$'000	$'000	$'000
Discount rate	(96,068)	122,404	(206,146)	267,479
Health inflation rate	102,488	(81,465)	270,451	(211,075)
Interest on contributions	17,389	(14,395)	26,745	(21,667)

(g) At March 31, 2023, the weighted average duration of the defined benefit obligation was 17.5 years (2022: 24.2 years).

(h) As mortality continues to improve, estimates of life expectancy are expected to increase. An increase of one year in life expectancy will increase the employee benefits obligation by approximately $15,642,000 (2022: $41,003,000) while a decrease of one year in life expectancy will result in a decrease in the employee benefits obligation by approximately $10,067,000 (2022: $10,174,000). Assumptions regarding future longevity have been based on published statistics and mortality tables. The current longevity underlying the values of the defined benefit obligation at the reporting date is 65 years.

24. Share capital

Issued and fully paid:

	Number of units ('000)		Carrying value ($'000)	
	2023	2022	2023	2022
Ordinary shares	4,511,000	4,511,000	11,511,000	4,511,000

The number of shares which the Bank is authorised to issue is unlimited. On June 20 and August 18, 2022, the Bank received Tier 1 capital injections aggregating $7 billion from its parent, JN Financial Group Limited. In exchange, a total of two ordinary shares were issued.

25. Reserve fund

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

26. Contractual savings reserve

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

JN BANK LIMITED

Notes to the Financial Statements
March 31, 2023

27. Other reserves

	2023 $'000	2022 $'000
Retained earnings reserve [see note 28]	7,123,000	7,123,000
Investment revaluation reserve [see (a)]	(3,210,742)	(1,743,967)
Credit loss reserve [see (b)]	491,468	370,683
Other	16,356	16,356
	4,420,082	5,766,072

(a) This represents unrealised losses on the revaluation of investments classified as FVOCI, net of deferred taxes and expected credit losses.

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

28. Retained earnings reserve

The Banking Services Act, 2014 permits transfers from the Bank's net profit to retained earnings reserve, which constitutes a part of the capital base. Transfers to the retained earnings reserve are made at the discretion of the Board of Directors. Such transfers must be notified to Bank of Jamaica and any reversal must be approved by Bank of Jamaica (note 27). In prior year the Bank transferred $1,834,000,000 from retained earnings to retained earnings reserve.

29. Interest expense

	2023 $'000	2022 $'000
Customer deposits	1,508,942	1,061,291
Specialised financial institutions	57,733	39,938
Securities sold under repurchase agreements	801,683	371,655
Long-term loan	113,976	440,760
Other	104,612	42,111
	2,586,946	1,955,755

30. Other operating income

(a) Fees and commission

	2023 $'000	2022 $'000 Restated*
Income under IFRS 15 recognised over time:		
Commission income	1,385	2,078
Income under IFRS 15 recognised point in time:		
Transaction fees	879,197	780,433
Loan fees	643,035	899,100
	1,523,617	1,681,611

*See note 42

JN BANK LIMITED

Notes to the Financial Statements
March 31, 2023

30. Other operating income (continued)

(b) Sundry income

	2023 $'000	2022 $'000 Restated*
Income under IFRS 15 recognised over time:		
Management fees	316,648	521,962
Other sundry income:		
Realised gains on foreign exchange trading	1,983,618	2,097,242
Dividends	27,720	22,108
Rental income	81,031	86,050
Bad debt recoveries	85,363	47,708
Mortgage indemnity insurance	108,863	86,094
Gain on disposal of property, plant and equipment	7,486	44,892
Gain on disposal of foreclosed properties	6,101	14,868
Gain on NHT loan sale [see (i) below]	943,222	-
Other	34,787	37,010
	3,594,839	2,957,934
Total other operating income	5,118,456	4,639,545

(i) During the year the Bank has settled its liability to National Housing Trust (NHT) under the Joint Financing Mortgage Portfolio at a discount.

*See note 42

31. Operating expenses

	2023 $'000	2022 $'000 Restated *
Administrative	4,857,360	4,356,761
Advertising and promotion	259,400	234,715
Audit fees	94,048	53,350
Write-off of other assets	124,926	89,798
Depreciation and amortisation (notes 15 and 16)	396,742	550,157
Depreciation of right-of-use-assets [note 18(a)(iii)]	105,551	109,099
Directors fees	25,850	18,923
Directors remuneration	41,970	40,861
Employee costs (note 33)	5,809,035	5,244,497
Management fees	1,697,845	1,622,260
Legal and other professional fees	1,258,833	1,099,743
	14,671,560	13,420,164

*See note 42

32. Taxation

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

	2023 $'000	2022 $'000
(i) Current tax expense:		
Income tax	736,181	691,975
(ii) Deferred taxation:		
Origination and reversal of temporary differences (note 17)	(360,097)	(113,145)
Total taxation in statement of profit or loss	376,084	578,830

JN BANK LIMITED

Notes to the Financial Statements
March 31, 2023

32. Taxation (continued)

(b) Reconciliation of effective tax charge:

Taxation is computed at a rate of 33⅓% of taxable profit except on dividends received, which is at 15%. The effective tax rate for the year was 43.31% (2022: 55.83%). The actual charge differs from the "expected" tax charge for the year as follows:

	2023 $'000	2022 $'000
Profit before taxation	868,448	1,036,813
Computed "expected" tax charge at 15%	3,223	337
Computed "expected" tax charge at 33⅓%	289,483	377,130
Total "expected" tax charge	292,706	377,467
Tax effect of difference between profit for financial statements and tax reporting purposes on -		
Depreciation charge and capital allowances	76,805	37,498
Loss/(Gain) on disposal of property, plant and equipment	3,482	(14,964)
Unfranked and exempt income	(79,869)	(38,147)
Loss on disposal of investments	354	363
Disallowed expenses, net	82,606	216,613
Actual tax charge	376,084	578,830

33. Employee costs

	2023 $'000	2022 $'000
Salaries	3,962,656	3,627,769
Pension, group life and health contributions	485,122	403,455
Statutory payroll contributions	503,760	458,943
Staff welfare	433,473	423,367
Other	424,024	330,963
	5,809,035	5,244,497

34. Financial risk management

(a) Overview

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

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

JN BANK LIMITED

Notes to the Financial Statements
March 31, 2023

34. Financial risk management (continued)

(a) Overview (continued)

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

Certain risk management activities are arranged on a group-wide basis and overseen or performed at that level, hence references to "Group" in this note.

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

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

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

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

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

(b) Credit risk:

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

34. Financial risk management (continued)

(b) Credit risk (continued):

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

Credit risk measurement

(i) Loans (including commitments, guarantees and other receivables)

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 for a portfolio of assets entails further estimations as to the likelihood of defaults occurring, for the associated loss ratios and of default correlations between counterparties. The Bank measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9.

Credit risk grading

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

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

The below table reflects the Bank's internal rating classification currently used only to determine the applicant's credit worthiness:

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

JN BANK LIMITED

Notes to the Financial Statements
March 31, 2023

34. Financial risk management (continued)

(b) Credit risk (continued):

Credit risk measurement (continued)

(ii) Investments

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

These published grades are continually monitored and updated. The Through-the-Cycle (TTC) PDs associated with each grade are determined based on realised default rates over the prior 12 months, as published by the rating agency.

The Bank's rating method comprises 20 rating levels for instruments not in default (1 to 20) and three default classes (21 to 23). The master scale assigns each rating category a specified range of probabilities of default, which is stable over time. The rating methods are subject to an annual validation and recalibration so that they reflect the latest projections in the light of all actually observed defaults.

The mapping of the Bank's internal rating scale to external ratings is set out below:

Bank rating	TTC PD as a percentage (Corporate)	TTC PD as a percentage (Sovereign)	S & P	Moody's	Description of Grade
1	0.01%	0.00%	AAA	Aaa	Investment Grade
2	0.02%	0.00%	AA+	Aa1	
3	0.02%	0.00%	AA	Aa2	
4	0.02%	0.00%	AA-	Aa3	
5	0.05%	0.02%	A+	A1	
6	0.05%	0.02%	A	A2	
7	0.05%	0.02%	A-	A3	
8	0.15%	0.09%	BBB+	Baa1	
9	0.15%	0.09%	BBB	Baa2	
10	0.15%	0.09%	BBB-	Baa3	
11	0.81%	0.46%	BB+	Ba1	Speculative grade
12	0.81%	0.46%	BB	Ba2	
13	0.81%	0.46%	BB-	Ba3	
14	3.02%	2.47%	B+	B1	
15	3.02%	2.47%	B	B2	
16	3.02%	2.47%	B-	B3	
17	7.21%	12.18%	CCC+	Caa1	
18	7.21%	12.18%	CCC	Caa2	
19	7.21%	12.18%	CCC-	Caa3	
20	29.62%	12.18%	CC	Ca	
21	29.62%	12.18%	C	C to D	Default
22	100.00%	100.00%	D		
23	100.00%	100.00%	SD		

JN BANK LIMITED

Notes to the Financial Statements
March 31, 2023

34. Financial risk management (continued)

(b) Credit risk (continued):

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:

Stage 1:

A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continually monitored by the Bank.

Stage 2:

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.

Stage 3:

Purchased or originated credit-impaired (POCI) financial assets are those financial assets that are credit- impaired on initial recognition. A POCI financial asset, or a financial asset for which there has been a significant deterioration in the credit-worthiness of the borrower or issuer such that the credit is determined to be impaired, is classified as 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

Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.

A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information. Note 39(a) includes an explanation of how the Bank has incorporated this in its ECL models.

JN BANK LIMITED

Notes to the Financial Statements
March 31, 2023

34. Financial risk management (continued)

(b) Credit risk (continued):

Expected credit loss measurement (continued)

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

(i) Significant increase in credit risk (SICR)

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

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

Quantitative criteria:

Loans

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

Investments

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

A significant increase in credit risk is determined to have occurred if, for Corporate and Sovereign portfolios, the borrower is on the Watchlist and/or the instrument meets one or more of the following criteria:

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

JN BANK LIMITED

Notes to the Financial Statements
March 31, 2023

34. Financial risk management (continued)

(b) Credit risk (continued):

Expected credit loss measurement (continued)

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

Quantitative criteria (continued):

Investments (continued)

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

Backstop:

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

The Bank has used the low credit risk exemption for intra-group exposures in the year ended March 31, 2023.

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

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

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

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

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

34. Financial risk management (continued)

(b) Credit risk (continued):

Expected credit loss measurement (continued)

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

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

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

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

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

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

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

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

JN BANK LIMITED

Notes to the Financial Statements
March 31, 2023

34. Financial risk management (continued)

(b) Credit risk (continued):

Expected credit loss measurement (continued)

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

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

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

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type. For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower, over a 12-month or lifetime basis.

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

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type. For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.

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

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

34. Financial risk management (continued)

(b) Credit risk (continued):

Expected credit loss measurement (continued)

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

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

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

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

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

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

The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

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

The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of.

JN BANK LIMITED

Notes to the Financial Statements
March 31, 2023

34. Financial risk management (continued)

(b) Credit risk (continued):

Expected credit loss measurement (continued)

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

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

Economic variable assumptions

The most significant period-end assumptions used for the ECL estimate as at March 31, 2023 are set out below. The scenarios "base", "upside" and "downside" were used for all portfolios.

The weightings assigned to each economic scenario were as follows:

	Base	Upside	Downside
March 31, 2023			
Loans	60%	30%	10%
Investments	10%	10%	80%
March 31, 2022			
Loans	15%	80%	5%
Investments	20%	10%	70%

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

Management used the Vasicek model to apply forward looking information.

JN BANK LIMITED

Notes to the Financial Statements
March 31, 2023

34. Financial risk management (continued)

(b) Credit risk (continued):

Expected credit loss measurement (continued)

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

In incorporating the forward - looking information (FLI), the Bank assessed the correlation of the following economic variables against its annual non-performing loan (NPL) ratios for the period 2010-2027:

- Real GDP
- Unemployed rate
- Interest rate
- Foreign exchange rate
- Inflation rate

Annual projections of these variables were incorporated for the period 2023-2027. The variables that indicated moderate correlation to the Bank's NPL ratios were inflation and interest rates. These variables were weighted and included in the Bank's Vasicek Model. Linear regression analyses were performed under the different scenarios of base, best and worst cases in the Vasicek Model to determine the standardized Lagged Z Scores. The unstandardized Z Scores were then determined by multiplying the standard deviation of the NPL ratios and adding the mean of the NPL ratios over the period 2010 – 2027. The unstandardized Z scores were then weighted by each economic variable to determine the overall Z Scores for each scenario. The Z Scores for each economic scenario were then calibrated to the Through the Cycle (TTC) PDs to determine the Point in Time (PIT) PDs.

The table below lists the macroeconomic assumptions used in the base, best and worse scenarios over the forecast period for variables that indicated moderate correlation to the Bank's NPL

Probability Weighted Scenarios					
Base Case					
Macro Variables	Lagged Z score (standardized)	Z score	Sector DR	Weighting	Z score Weighted
Inflation rate	-0.361	-0.412	4.603%	34%	-0.139
Interest rate	-0.269	-0.380	4.482%	66%	-0.252
					-0.391
Best Case					
Macro Variables	Lagged Z score (standardized)	Z score	Sector DR	Weighting	Z score Weighted
Inflation rate	0.459	-0.125	3.610%	34%	-0.042
Interest rate	0.486	-0.115	3.581%	66%	-0.076
					-0.118
Worst Case					
Macro Variables	Lagged Z score (standardized)	Z score	Sector DR	Weighting	Z score Weighted
Inflation rate	-0.660	-0.517	5.016%	34%	-0.174
Interest rate	-0.302	-0.392	4.525%	66%	-0.260
					-0.434

34. Financial risk management (continued)

(b) Credit risk (continued):

Expected credit loss measurement (continued)

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

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

The Bank's credit portfolio is segmented by product type due to similar characteristics. These groupings are detailed below by credit portfolio:

JN Bank Loan Segmentation

- Mortgage loans
- Corporate loans
- Micro Finance loans
- Auto loans
- Personal loans
- Staff loans
- Credit card

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

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

(vi) Management of credit risk

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

(i) where collateral is held against an outstanding loan, it is sufficiently insured;

(ii) loan loss provisioning is in keeping with the requirements of Bank of Jamaica (BOJ);

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

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

Counterparty credit risk

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

JN BANK LIMITED

Notes to the Financial Statements
March 31, 2023

34. Financial risk management (continued)

(b) Credit risk (continued):

Expected credit loss measurement (continued)

(vi) Management of credit risk (continued)

sound. These entities are regularly reviewed and risk-rated by the Risk and Compliance Unit.

Credits to borrowers

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

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the customer's financial position and where the Bank has made concessions that it would not otherwise consider. Once the loan is restructured, it remains in this category irrespective of satisfactory performance after restructuring. At March 31, 2023, the outstanding principal balances on loans that were restructured amounted to $1,297,355,000 (2022: $1,115,945,000). The amortised cost before the modification, the net modification gain recognised, and the loss allowance measured at an amount equal to lifetime expected credit losses and for which the loss allowance has changed during the year to an amount equal to 12-month expected credit losses are as follows:

	2023 $'000	2022 $'000
Amortised cost before modification	402,423	334,658
Net modification gain	62,629	16,067
Loss allowance changed to an amount equal to 12-month ECL	11,308	7,821

Impaired credits to borrowers

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

Past due but unimpaired credits to borrowers

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

Allowances for impairment

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

JN BANK LIMITED

Notes to the Financial Statements
March 31, 2023

34. Financial risk management (continued)

(b) Credit risk (continued):

Expected credit loss measurement (continued)

(vi) Management of credit risk (continued)

Write-off policy

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

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

Concentration by class and geographical area

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

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

The Bank's significant concentration of credit exposure, as at the reporting date, by geographic area was as follows:

	2023 $'000	2022 $'000 Restated*
Jamaica	204,838,983	202,909,130
United States of America	6,460,175	10,967,457
United Kingdom	8,144,939	9,574,119
Canada	1,727,751	2,713,403
Cayman Islands	89,279	622,272
	221,261,127	226,786,381

JN BANK LIMITED

Notes to the Financial Statements
March 31, 2023

34. Financial risk management (continued)

(b) Credit risk (continued):

Expected credit loss measurement (continued)

(vi) Management of credit risk (continued)

Credit quality of loans

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

	2023 $'000	2022 $'000 Restated*
Neither past due nor impaired	112,844,882	96,343,709
Past due but not impaired:		
Below 30 days	9,486,915	10,593,600
30 to 60 days	3,078,058	2,699,300
60 to 90 days	1,429,182	1,460,422
Individually impaired:		
90-180 days	1,284,384	1,275,064
180-365 days	854,300	1,059,293
12-18 months	731,648	431,545
18 months and over	2,219,908	1,218,556
Less allowance for losses (note 11)	(3,310,140)	(2,402,932)
	128,619,137	112,678,557

Exposure to credit risk

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

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

*See note 42

JN BANK LIMITED

Notes to the Financial Statements
March 31, 2023

34. Financial risk management (continued)

(b) Credit risk (continued):

Expected credit loss measurement (continued)

(vi) Management of credit risk (continued)

Exposure to credit risk (continued)

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

	Loans			
	2023			
	Stage 1	Stage 2	Stage 3	Total
	$'000	$'000	$'000	$'000
Credit grade				
Standard monitoring	126,280,411	-	-	126,280,411
Special monitoring	-	7,761,402	-	7,761,402
Default	-	-	5,265,469	5,265,469
Gross carrying amount	126,280,411	7,761,402	5,265,469	139,307,282
Loss allowance (note 11)	(1,099,143)	(158,000)	(2,052,997)	(3,310,140)
Net carrying amount	125,181,268	7,603,402	3,212,472	135,997,142
Ageing of loans receivable				
Current	110,954,807	1,678,430	223,510	112,856,747
Past due 1-30 days	8,014,167	1,608,625	14,113	9,636,905
Past due 31-60 days	-	3,200,593	925	3,201,518
Past due 61-89 days	-	1,233,420	676	1,234,096
90 days and over	-	-	5,000,011	5,000,011
Gross carrying amount	118,968,974	7,721,068	5,239,235	131,929,277
Loss allowance	(1,061,744)	(152,443)	(2,051,639)	(3,265,826)
	117,907,230	7,568,625	3,187,596	128,663,451
Loan and credit commitments	7,311,437	40,334	26,234	7,378,005
Loss allowance	(37,399)	(5,557)	(1,358)	(44,314)
Net carrying amount	125,181,268	7,603,402	3,212,472	135,997,142

JN BANK LIMITED

Notes to the Financial Statements
March 31, 2023

34. Financial risk management (continued)

(b) Credit risk (continued):

Expected credit loss measurement (continued)

(vi) Management of credit risk (continued)

Exposure to credit risk (continued)

	Loans			
	2022 *Restated			
	Stage 1	Stage 2	Stage 3	Total
	$'000	$'000	$'000	$'000
Credit grade				
Standard monitoring	108,960,319	-	-	108,960,319
Special monitoring	-	9,213,103	-	9,213,103
Default	-	-	3,936,006	3,936,006
Gross carrying amount	108,960,319	9,213,103	3,936,006	122,109,428
Loss allowance (note 11)	(858,684)	(183,258)	(1,360,990)	(2,402,932)
Ne carrying amount	108,101,635	9,029,845	2,575,016	119,706,496
Ageing of loans receivable				
Current	93,431,712	2,850,449	97,864	96,380,025
Past due 1-30 days	8,547,786	2,204,785	33,032	10,785,603
Past due 31-60 days	-	2,786,651	-	2,786,651
Past due 61-89 days	-	1,343,138	-	1,343,138
90 days and over	-	-	3,786,072	3,786,072
Gross carrying amount	101,979,498	9,185,023	3,916,968	115,081,489
Loss allowance	(831,828)	(179,044)	(1,359,780)	(2,370,652)
	101,147,670	9,005,979	2,557,188	112,710,837
Loan and credit card commitments	6,980,821	28,080	19,038	7,027,939
Loss allowance	(26,856)	(4,214)	(1,210)	(32,280)
Net carrying amount	108,101,635	9,029,845	2,575,016	119,706,496

Information on how the Expected Credit Loss (ECL) is measured and how the three stages above are determined is included in note 34(b)(iv).

Collateral and other credit enhancements held against financial assets

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

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

JN BANK LIMITED

Notes to the Financial Statements
March 31, 2023

34. Financial risk management (continued)

(b) Credit risk (continued):

Expected credit loss measurement (continued)

(vi) Management of credit risk (continued)

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

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

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

	Loans and advances		Securities purchased under resale agreements	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Against neither past due nor impaired financial assets:				
Properties	133,961,252	126,875,314	-	-
Debt securities	7,394,538	6,734,172	921,199	7,337,385
Hypothecation of deposits	2,290,469	2,301,649	-	-
Subtotal	143,646,259	135,911,135	921,199	7,337,385
Against past due but not impaired financial assets:				
Properties	25,334,909	23,471,363	-	-
Hypothecation of deposits	368,699	425,070	-	-
Liens on motor vehicles	839,843	843,840	-	-
Subtotal	26,543,451	24,740,273	-	-
	170,189,710	160,651,408	921,199	7,337,385
Against past due and impaired financial assets:				
Properties	4,371,743	5,405,509	-	-
Hypothecation of deposits	601	601	-	-
Liens on motor vehicles	183,550	125,153	-	-
Subtotal	4,555,894	5,531,263	-	-
Grand total	174,745,604	166,182,671	921,199	7,337,385

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

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

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

JN BANK LIMITED

Notes to the Financial Statements
March 31, 2023

34. Financial risk management (continued)

(b) Credit risk (continued):

Expected credit loss measurement (continued)

(vi) Management of credit risk (continued)

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

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

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

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

	2023			
	Gross exposure	**Impairment allowance**	**Carrying amount**	**Fair value of collateral held**
Credit-impaired assets	$'000	$'000	$'000	$'000
Loans				
- Credit cards	103,980	(59,687)	44,293	-
- Term loans	3,176,587	(1,928,158)	1,248,429	183,550
- Mortgages	1,953,765	(53,459)	1,900,306	4,371,743
- Other	31,137	(11,693)	19,444	-
Total credit-impaired assets	5,265,469	(2,052,997)	3,212,472	4,555,293

	2022			
	Gross exposure	**Impairment allowance**	**Carrying amount**	**Fair value of collateral held**
Credit-impaired assets	$'000	$'000	$'000	$'000
Loans				
- Credit cards	66,821	(34,712)	32,109	-
- Term loans	1,973,551	(1,180,814)	792,737	125,153
- Mortgages	1,876,655	(137,739)	1,738,916	5,405,509
- Other	18,979	(7,725)	11,254	-
Total credit-impaired assets	3,936,006	(1,360,990)	2,575,016	5,530,662

JN BANK LIMITED

Notes to the Financial Statements
March 31, 2023

34. Financial risk management (continued)

(b) Credit risk (continued):

Expected credit loss measurement (continued)

(vi) Management of credit risk (continued)

Loss allowance

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

	2023 $'000	2022 $'000
Loans (note 11)	811,943	615,313
Investment securities – at FVOCI	(11,419)	(87,302)
Investment securities – at amortised cost	(8,589)	(2,719)
	791,935	525,292

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 derecognised in the period;
- Discount unwound 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 such assets.

JN BANK LIMITED

Notes to the Financial Statements
March 31, 2023

34. Financial risk management (continued)

(b) Credit risk (continued):

Expected credit loss measurement (continued)

(vi) Management of credit risk (continued)

Loss allowance (continued)

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

Loans	2023 Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Purchased credit-impaired $'000	Total $'000
Loss allowance as at April 1, 2022	858,684	183,258	1,360,990	-	2,402,932
Movements with P&L impact					
Transfers:					
Transfer from Stage 1 to Stage 2	(18,699)	18,699	-	-	-
Transfer from Stage 1 to Stage 3	(27,326)	-	27,326	-	-
Transfer from Stage 2 to Stage 1	40,945	(40,945)	-	-	-
Transfer from Stage 2 to Stage 3	-	(34,737)	34,737	-	-
Transfer from Stage 3 to Stage 2	-	64,717	(64,717)	-	-
Transfer from Stage 3 to Stage 1	17,047	-	(17,047)	-	-
New financial assets originated or purchased	432,490	-	-	92,335	524,825
Financial assets derecognized during the period	(131,798)	(40,052)	7,742	-	(164,108)
Net remeasurement of loss allowance	(73,273)	7,438	517,061	-	451,226
Loss allowance recognised in profit or loss	239,386	(24,880)	505,102	92,335	811,943
Transfer from merger	1,126	-	-	195,749	196,875
Write-offs against provision	(53)	(378)	(101,179)	-	(101,610)
Loss allowance as at March 31, 2023	1,099,143	158,000	1,764,913	288,084	3,310,140

JN BANK LIMITED

Notes to the Financial Statements
March 31, 2023

34. Financial risk management (continued)

(b) Credit risk (continued):

Expected credit loss measurement (continued)

(vi) Management of credit risk (continued)

Loss allowance (continued)

	2022			
	Stage 1	Stage 2	Stage 3	
Loans	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	$'000	$'000	$'000	$'000
Loss allowance as at April 1, 2021	821,609	227,199	786,453	1,835,261
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(24,968)	24,968	-	-
Transfer from Stage 1 to Stage 3	(20,442)	-	20,442	-
Transfer from Stage 2 to Stage 1	71,697	(71,697)	-	-
Transfer from Stage 3 to Stage 3	-	(26,357)	26,357	-
Transfer from Stage 3 to Stage 2	-	80,369	(80,369)	-
Transfer from Stage 3 to Stage 1	20,275	-	(20,275)	-
New financial assets originated	243,973	-	-	-
or purchased	243,973	-	-	243,973
Financial assets derecognized during the period	(97,749)	(31,572)	(37,736)	(167,057)
Net remeasurement of loss allowance	(155,691)	(19,647)	713,735	538,397
Loss allowance recognised in profit or loss	37,095	(43,936)	622,154	615,313
Write -offs against provision	(20)	(5)	(47,617)	(47,642)
Loss allowance as at March 31, 2022	858,684	183,258	1,360,990	2,402,932

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

- The high volume of new loans originated during the period. This growth is in alignment with the Bank's strategy.
- The write-off of loans with a total gross carrying amount of $281,353,000 (2022: $166,359,000) resulted in the reduction of the Stage 3 loss allowance.

JN BANK LIMITED

Notes to the Financial Statements
March 31, 2023

34. Financial risk management (continued)

(b) Credit risk (continued):

Expected credit loss measurement (continued)

(vi) Management of credit risk (continued)

Loss allowance (continued)

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

	2023				
Loans	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Purchased credit-impaired**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Gross carrying amount as at beginning of year	108,960,319	9,213,103	3,936,006	-	122,109,428
Transfers:					
Transfer from Stage 1 to Stage 2	(2,445,429)	2,445,429	-	-	-
Transfer from Stage 1 to Stage 3	(1,004,621)	-	1,004,621	-	-
Transfer from Stage 2 to Stage 3	-	(1,095,433)	1,095,433	-	-
Transfer from Stage 3 to Stage 2	-	644,153	(644,153)	-	-
Transfer from Stage 3 to Stage 1	145,116	-	(145,116)	-	-
Transfer from Stage 2 to Stage 1	2,513,075	(2,513,075)	-	-	-
New financial assets originated or purchased	37,914,273	-	-	-	37,914,273
Financial assets derecognized during the period other than write-offs	(17,217,384)	(1,098,904)	(189,012)	-	(18,505,300)
Net remeasurement of gross balance	(2,618,025)	169,334	8,877	-	(2,439,814)
	17,287,005	(1,448,496)	1,130,650	-	16,969,159
Transfer from merger	33,331	-	-	476,717	510,048
Write-offs	(244)	(3,205)	(277,904)	-	(281,353)
Gross carrying amount as at end of year	126,280,411	7,761,402	4,788,752	476,717	139,307,282

JN BANK LIMITED

Notes to the Financial Statements
March 31, 2023

34. Financial risk management (continued)

(b) Credit risk (continued):

Expected credit loss measurement (continued)

(vi) Management of credit risk (continued)

Loss allowance (continued)

	2022			
	Stage 1	Stage 2	Stage 3	
Loans	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Gross carrying amount as at beginning of year	101,706,571	10,066,477	3,548,572	115,321,620
Transfers:				
Transfer from Stage 1 to Stage 2	(2,925,028)	2,925,028	-	-
Transfer from Stage 1 to Stage 3	(1,059,316)	-	1,059,316	-
Transfer from Stage 2 to Stage 3	-	(794,325)	794,325	-
Transfer from Stage 3 to Stage 2	-	832,936	(832,936)	-
Transfer from Stage 3 to Stage 1	177,634	-	(177,634)	-
Transfer from Stage 2 to Stage 1	3,387,925	(3,387,925)	-	-
New financial assets originated or purchased	27,274,240	-	-	27,274,240
Financial assets derecognized during the period other than write-offs	(12,734,011)	(741,730)	(366,042)	(13,841,783)
Net remeasurement of gross balance	(6,865,479)	312,853	74,336	(6,478,290)
	7,255,965	(853,163)	551,365	6,954,167
Write-offs	(2,217)	(211)	(163,931)	(166,359)
Gross carrying amount as at end of year	108,960,319	9,213,103	3,936,006	122,109,428

The total amount of undiscounted expected credit losses at initial recognition for purchased or originated credit-impaired financial assets recognised during the period was $288,084,000 (2022: $Nil).

*See note 42

JN BANK LIMITED

Notes to the Financial Statements
March 31, 2023

34. Financial risk management (continued)

(b) Credit risk (continued):

Expected credit loss measurement (continued)

(vi) Management of credit risk (continued)

Loss allowance (continued)

Investments

	2023			
	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Balances at April 1	177,304	-	-	177,304
Transger from Stage 1 to Stage 2	(23,006)	23,006	-	-
New financial assets originated or purchased	10,864	2,522	-	13,386
Financial assets derecognised during the period other than write-offs	(33,394)	-	-	(33,394)
Loss allowance recognised in profit or loss	(45,536)	25,528	-	(20,008)
Balances at March 31	131,768	25,528	-	157,296

	2022			
	Stage 1 12-month ECL $'000	Stage 2 Lifetime ECL $'000	Stage 3 Lifetime ECL $'000	Total $'000
Balances at April 1	223,171	44,154	-	267,325
Transfer from Stage 2 to Stage 1	12,644	(12,644)	-	
New financial assets originated or purchased	87,058	-	-	87,058
Financial assets derecognised during the period other than write-offs	(145,569)	(31,510)	-	(177,079)
Loss allowance recognised in profit or loss	(45,867)	(44,154)	-	(90,021)
Balances at March 31	177,304	-	-	177,304

JN BANK LIMITED

Notes to the Financial Statements
March 31, 2023

34. Financial risk management (continued)

(b) Credit risk (continued):

Expected credit loss measurement (continued)

(vi) Management of credit risk (continued)

Loss allowance (continued)

Investments

The following table further explains the gross carrying amount of the investments and securities purchased under resale agreements measured at amortised cost and FVOCI and its loss allowance:

	2023					
	Amortised cost		Carried at FVOCI		TOTAL	
	Investment $000	Reverse Repos $000	Investment $000	Reverse Repos $000	Investment $000	Reverse Repos $000
Investment grade	-	-	11,730,263	-	11,730,263	-
Speculative grade	2,656,104	739,244	44,672,534	-	47,328,638	739,244
	2,656,104	739,244	56,402,797	-	59,058,901	739,244
ECL provision at year end	223	198	156,875	-	157,098	198

	2022					
	Amortised cost		Carried at FVOCI		TOTAL	
	Investment $000	Reverse Repos $000	Investment $000	Reverse Repos $000	Investment $000	Reverse Repos $000
Investment grade	-	-	10,111,959	-	10,111,959	
Speculative grade	7,993,615	6,466,049	57,226,575	-	65,220,190	6,466,049
	7,993,615	6,466,049	67,338,534	-	75,332,149	6,466,049
ECL provision at year end	10,778	-	166,526	-	177,304	-

Speculative grade includes Government of Jamaica Securities of $40,588,374,000 (2022: $47,909,402,000 (see note 8).

(c) Liquidity risk:

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

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

(ii) *Asset/market liquidity risk* – the risk that the bank will not be able to liquidate assets in an orderly fashion without incurring loss on liquidation.

JN BANK LIMITED

Notes to the Financial Statements
March 31, 2023

34. Financial risk management (continued)

(c) Liquidity risk (continued):

Management of liquidity risk

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

	Minimum requirement		Actual	
	2023	2022	2023	2022
	%	%	%	%
Jamaica Dollar	5	19	18	20
United States of America Dollar	13	27	17	29
Canadian Dollar	13	27	80	81
Pound Sterling	13	27	60	70

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

An analysis of the undiscounted cash flows required to settle the Bank's financial liabilities and unrecognised loan commitments on the basis of their earliest possible contractual maturity is presented below. The Bank does not expect that all its customers will demand the payment of funds at the earliest date possible.

	2023						
		Contractual undiscounted cash flows					
	Carrying amount	Total cash outflow	Less than 3 months	3-12 months	1-2 years	2-5 years	More than 5 years
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial Assets							
Cash resources	27,952,452	27,952,452	13,326,837	14,625,615	-	-	-
Securities purchased under resale agreements	757,055	757,055	299,062	440,182	17,811	-	-
Investments	59,756,346	61,598,418	8,423,437	10,003,544	2,433,802	3,513,716	37,223,917
Due from related entities	492,770	492,770	492,770	-	-	-	-
Loans, after allowance for impairment losses	128,619,137	140,155,638	5,281,702	2,139,400	5,288,460	22,896,172	104,549,904
Other assets	3,709,479	3,709,479	3,709,479	-	-	-	-
Total financial assets	221,287,239	234,665,812	31,533,287	27,208,741	7,740,073	26,409,888	141,773,821
Financial Liabilities							
Due to specialised financial institutions	2,288,455	2,457,048	52,801	140,379	190,606	445,820	1,627,442
Customer deposits	181,562,153	183,069,119	164,553,207	15,159,180	2,513,183	819,667	23,882
Due to related entities	205,944	205,944	-	205,944	-	-	-
Securities sold under repurchase agreements	15,565,414	16,609,803	15,000,892	1,608,911	-	-	-
Other payables	1,872,859	1,872,859	1,872,859	-	-	-	-
Margin loan	2,086,715	2,211,918	2,211,918	-	-	-	-
Long-term loan	222,725	222,725	21,502	201,223	-	-	-
Lease liabilities	319,437	351,450	-	87,546	77,121	67,495	119,288
Total financial liabilities	204,123,702	207,000,866	183,713,179	17,403,183	2,780,910	1,332,982	1,770,612
Unrecognised loan commitments	-	12,039,381	12,039,381	-	-	-	-
	204,123,702	219,040,247	195,752,560	17,403,183	2,780,910	1,332,982	1,770,612
On statement of financial position gap, being total liquidity gap	17,163,537	15,625,563	(164,219,273)	9,805,558	4,959,163	25,076,906	140,003,209
Cumulative gap			(164,219,273)	(154,413,715)	(149,454,552)	(124,377,646)	15,625,563

JN BANK LIMITED

Notes to the Financial Statements
March 31, 2023

34. Financial risk management (continued)

(c) Liquidity risk (continued):

Management of liquidity risk (continued)

	2022						
	Contractual undiscounted cash flows						
	Carrying amount $'000	Total cash outflow $'000	Less than 3 months $'000	3-12 months $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Financial Assets							
Cash resources	29,205,481	29,205,481	14,128,961	15,076,520	-	-	-
Securities purchased under resale agreements	6,488,385	6,488,385	2,557,633	3,908,416	22,336	-	-
Investments	76,017,227	77,659,913	16,758,784	6,176,299	8,028,168	5,787,951	40,908,711
Due from related entities	379,174	379,174	379,174	-	-	-	-
Loans, after allowance for impairment losses	112,678,557	121,124,261	2,992,619	2,686,080	2,724,501	18,593,519	94,127,542
Other assets	2,049,253	2,049,253	2,049,253	-	-	-	-
Total financial assets	226,818,077	236,906,467	38,866,424	27,847,315	10,775,005	24,381,470	134,036,253
Financial Liabilities							
Due to specialised financial institutions	3,969,808	4,888,437	126,656	822,471	423,451	685,352	2,830,507
Customer deposits	178,795,731	179,886,385	159,060,510	17,848,025	1,227,009	1,732,563	18,278
Due to related entities	149,148	149,148	-	149,148	-	-	-
Securities sold under repurchase agreements	16,087,441	16,190,008	9,820,246	6,369,762	-	-	-
Other payables	1,571,105	1,571,105	1,571,105	-	-	-	-
Long-term loan	14,532,700	14,568,417	244,087	1,201,506	1,217,039	4,181,075	7,724,710
Lease liabilities	324,234	365,732	-	91,407	62,355	53,003	158,967
Total financial liabilities	215,430,167	217,619,232	170,822,604	26,482,319	2,929,854	6,651,993	10,732,462
Unrecognised loan commitments	-	10,135,095	10,135,095	-	-	-	-
	215,430,167	227,754,327	180,957,699	26,482,319	2,929,854	6,651,993	10,732,462
On statement of financial position gap, being total liquidity gap	11,387,910	9,152,140	(142,091,275)	1,364,996	7,845,151	17,729,477	124,303,791
Cumulative gap			(142,091,275)	(140,726,279)	(132,881,128)	(115,151,651)	9,152,140

The Bank has a robust strategy in place for the management of liquidity. On a daily basis the Treasury Unit actively monitors the Bank's liquidity position including the monitoring and management of net funding requirements as well as close monitoring of the investment portfolio.

An active Contingency Funding Plan is in place and the escalations are utilized as necessary.

Active monitoring of the concentration between the funding types and to individual counterparties to ensure that there is no over concentration in one funding type as such the likelihood of a run that would significantly impact the Bank is low.

The Bank conducts at least annual stress tests which includes scenarios used to stress the liquidity of the Bank based on the approved budget. Where liquidity challenges are detected, increased stress testing of the liquidity is conducted.

34. Financial risk management (continued)

(d) Market risk:

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

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

Management of market risk

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

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

(i) Interest rate risk:

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

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

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

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

JN BANK LIMITED

Notes to the Financial Statements
March 31, 2023

34. Financial risk management (continued)

(d) Market risk (continued):

Management of market risk (continued)

(i) Interest rate risk (continued):

	2023						
	Immediately rate sensitive	Within 3 months	Three to 12 months	Over 1 year	Non-rate sensitive	Total	Weighted average interest rate
	$'000	$'000	$'000	$'000	$'000	$'000	%
Financial Assets							
Cash resources	-	13,326,837	-	-	14,625,615	27,952,452	0.08
Securities purchased under resale agreements	-	299,062	440,182	-	17,811	757,055	3.50
Investments	-	7,781,332	9,591,126	41,391,613	992,275	59,756,346	4.30
Due from related entities	-	-	-	-	492,770	492,770	-
Loans	-	4,858,971	1,968,169	121,190,975	601,022	128,619,137	8.70
Other assets	-	-	-	-	3,709,479	3,709,479	-
Total financial assets	-	26,266,202	11,999,477	162,582,588	20,438,972	221,287,239	
Financial Liabilities							
Due to specialised financial institutions	-	51,570	140,379	2,096,506	-	2,288,455	3.28
Customer deposits	-	163,206,718	15,072,299	2,961,089	322,047	181,562,153	0.83
Due from related entities	-	-	-	-	205,944	205,944	-
Securities sold under-repurchase agreements	-	13,967,311	1,498,055	-	100,048	15,565,414	7.40
Other payables	-	-	-	-	1,872,859	1,872,859	-
Margin loan	-	2,086,716	-	-	-	2,086,716	
Long-term loan	-	-	-	222,725	-	222,725	7.60
Lease liabilities	-	2,140	1,193	259,372	56,732	319,437	3.00
Total financial liabilities	-	179,314,455	16,711,926	5,539,692	2,557,630	204,123,703	
On statement of financial position gap, being total interest rate sensitivity gap	-	(153,048,253)	(4,712,449)	157,042,896	17,881,342	17,163,536	
Cumulative gap	-	(152,048,253)	(157,760,702)	(717,806)	17,163,536		

	2022						
	Immediately rate sensitive	Within 3 months	Three to 12 months	Over 1 year	Non-rate sensitive	Total	Weighted average interest rate
	$'000	$'000	$'000	$'000	$'000	$'000	%
Financial Assets							
Cash resources	-	14,128,961	-	-	15,076,520	29,205,481	0.03
Securities purchased under resale agreements	-	2,557,633	3,908,416	-	22,336	6,488,385	10.07
Investments	-	15,959,630	5,991,172	53,084,518	981,136	76,017,227	3.09
Due from related entities	-		-	-	379,174	379,174	-
Loans	-	2,758,174	2,475,649	106,843,598	601,136	112,678,557	8.50
Other assets	-	-	-	-	2,049,253	2,049,253	-
Total financial assets	-	35,404,398	12,375,237	159,928,116	19,110,326	226,818,077	
Financial Liabilities							
Due to specialised financial institutions	-	210,722	603,049	3,156,037	-	3,969,808	3.00
Customer deposits	-	145,357,630	31,364,291	1,766,651	307,159	178,795,731	0.61
Due from related entities	-	-	-	-	149,148	149,148	-
Securities sold under-repurchase agreements	-	9,738,685	6,213,644	-	135,112	16,087,441	4.79
Other payables	-	-	-	-	1,571,105	1,571,105	-
Long-term loan	-	-	-	14,532,700	-	14,532,700	0.05
Lease liabilities	-	22,852	68,555	232,827	-	324,234	3.00
Total financial liabilities	-	155,329,889	38,249,539	19,688,215	2,162,525	215,430,168	
On statement of financial position gap, being total interest rate sensitivity gap	-	(119,925,491)	(25,874,302)	140,239,901	16,947,801	11,387,909	
Cumulative gap	-	(119,925,491)	(145,799,793)	(5,559,892)	11,387,909		

JN BANK LIMITED

Notes to the Financial Statements
March 31, 2023

34. Financial risk management (continued)

(d) Market risk (continued):

Management of market risk (continued)

(i) Interest rate risk (continued):

Sensitivity to interest rate movements:

The sensitivity of the Bank's financial assets and financial liabilities to interest rate risk is monitored using the impact on profit and reserves of a reasonably possible change in interest rates at the reporting date as set out in the following scenarios:

	Increase in interest rate	**Decrease in interest rate**
J$ denominated instruments	2023: 100 basis points (2022: 300 basis points)	2023: 50 basis points (2022: 50 basis points)
US$ denominated instruments	2023: 100 basis points (2022: 150 basis points)	2023: 50 basis points (2022: 50 basis points)

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

	2023		2022	
	Increase	Decrease	Increase	Decrease
	$'000	$'000	$'000	$'000
Other comprehensive income: J$	(83,289)	81,225	(362,822)	120,231
US$	(2,974,787)	1,565,530	(5,121,548)	1,953,155

Cash flow sensitivity analysis for variable rate instruments:

An increase/decrease using the above scenarios would adjust reserves and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is done on the same basis as for 2022.

	Effect on profit	
	Increase	Decrease
	$'000	$'000
March 31, 2023		
Variable rate instruments – J$	12,038	(6,019)
March 31, 2022		
Variable rate instruments – J$	73,961	(12,327)

34. Financial risk management (continued)

(d) Market risk (continued):

Management of market risk (continued)

(ii) Equity price risk

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

Sensitivity to equity price movements

A 6% (2022: 5%) increase/decrease in market prices at the reporting date would result in changes in reserves for the Bank of $16,543,000 (2022: $13,786,000).

(iii) Foreign currency risk:

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

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

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

Net foreign currency assets/(liabilities), stated in their respective currencies, were as follows:

	2023	2022
	'000	'000
United States dollar	6,637	(6,192)
Canadian dollar	(3,693)	3,706
Pound sterling	(10,122)	(5,434)
Euro	179	1,749
Cayman dollar	873	881

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

JN BANK LIMITED

Notes to the Financial Statements
March 31, 2023

34. Financial risk management (continued)

(d) Market risk (continued):

Management of market risk (continued)

(iii) Foreign currency risk (continued):

Sensitivity to exchange rate movements:

A 4% (2022: 8%) weakening of the Jamaica dollar against the various currencies at March 31 would have decreased profit for the year by the amounts shown in the table below. A 1% (2022: 2%) strengthening of the Jamaica dollar against these currencies at March 31 would have had the opposite effect to that shown in the table below. The analysis assumes that all other variables, in particular, interest rates, remain constant. The analysis was done on the same basis for 2022.

	2023 $'000		2022 $'000	
	4%	1%	8%	2%
United States dollar	39,937	(9,984)	(75,936)	18,984
Canadian dollar	(16,537)	4,134	36,590	(9,148)
Pounds sterling	(75,678)	18,920	(87,140)	21,785
Euro	1,195	(299)	26,188	(6,547)
Cayman dollar	6,431	(1,608)	13,096	(3,274)

(e) Operational risk:

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

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

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

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

This responsibility is supported by the development of overall Bank standards for the management of operational risk that meet the following requirements:

- risk policies/guidelines for assisting management to understand the ways in which risks can be measured, managed, identified and controlled;
- appropriate segregation of duties, including the independent authorisation of transactions;
- reconciliation and monitoring of transactions;

34. Financial risk management (continued)

(e) Operational risk (continued):

This responsibility is supported by the development of overall Bank standards for the management of operational risk that meet the following requirements (cont'd):

- 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;
- reporting of operational losses and proposed remedial actions;
- development of business continuity programmes including contingency plans, testing and training;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective

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

(f) Capital management:

Regulatory capital

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

The Bank of Jamaica requires the Bank to maintain a prescribed ratio of total capital to total risk weighted assets of at least 10% (2022:10%). The actual ratio of total regulatory capital to total risk weighted assets at March 31, 2023 was 15.2% (2022: 12%).

35. Fair value of financial instruments

The fair values of financial assets that are traded in an active market are based on quoted market prices. For all other financial assets, the Bank determines fair values using other valuation techniques as detailed in note 39(b).

35. Fair value of financial instruments (continued)

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

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

The fair value of long term loan having specific maturity after one year, is determined by discounting future cash flows using reporting date yields of similar instruments.

(a) Accounting classifications and fair values:

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

35. Fair value of financial instruments (continued)

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

	2023								
	Carrying amount					Fair value			
	Amortised cost	Fair value through other comprehensive income	Fair value through profit or loss	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	
Financial assets measured at fair value:									
Corporate bonds	-	9,400,567	-	-	9,400,567	-	9,400,567	-	9,400,567
Government of Jamaica securities	-	40,588,374	-	-	40,588,374	-	40,588,374	-	40,588,374
Treasury bills	-	6,069,197	-	-	6,069,197	-	6,069,197	-	6,069,197
Quoted equities	-	275,222	-	-	275,222	275,222	-	-	275,222
Promissory note	-	49,829	-	-	49,829	-	49,829	-	49,829
Unquoted equities	-	19,608	-	-	19,608	-	19,608	-	19,608
	-	56,402,797	-	-	56,402,797	275,222	56,127,575	-	56,402,797

The following table sets out the fair values of financial instruments not measured at fair value and analysis them by the level in the fair value hierarchy into wich each value measurement is categorised.

	Amortised cost	Fair value through other comprehensive income	Fair value through profit or loss	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value:									
Cash resources	27,952,452	-	-	-	27,952,452	-	27,952,452	-	27,952,452
Securities purchased under resale agreements	739,244	-	-	-	739,244	-	921,199	-	921,199
Certificates of deposit	2,656,104	-	-	-	2,656,104	-	2,656,104	-	2,656,104
Due from related entities	492,770	-	-	-	492,770	-	-	492,770	492,770
Loans	128,018,115	-	-	-	128,018,115	-	-	128,018,115	128,018,115
Other assets	3,709,479	-	-	-	3,709,479	-	-	3,709,479	3,709,479
	163,568,164	-	-	-	163,568,164	-	31,529,755	132,220,364	163,750,119
Financial liabilities not measured at fair value:									
Due to specialised financial institutions	-	-	-	2,288,455	2,288,455	-	-	2,288,455	2,288,455
Customer deposits	-	-	-	181,240,106	181,240,106	-	-	181,240,106	181,240,106
Due to related entities	-	-	-	205,944	205,944	-	-	205,944	205,944
Securities sold under repurchase agreements	-	-	-	15,565,414	15,565,414	-	-	15,565,414	15,565,414
Other payables	-	-	-	1,872,859	1,872,859	-	-	1,872,859	1,872,859
Margin loan	-	-	-	2,086,715	2,086,715	-	-	2,086,715	2,086,715
Long-term loan	-	-	-	222,725	222,725	-	-	222,725	222,725
	-	-	-	203,482,218	203,482,218	-	-	203,482,218	203,482,218

35. Fair value of financial instruments (continued)

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

	2022 *Restated								
	Carrying amount					Fair value			
	Amortised cost	Fair value through other comprehensive income	Fair value through profit or loss	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	
Financial assets measured at fair value:									
Corporate bonds	-	11,625,327	-	-	11,625,327	-	11,625,327	-	11,625,327
Government of Jamaica securities	-	47,909,402	-	-	47,909,402	-	47,909,402	-	47,909,402
Treasury bills	-	7,458,272	-	-	7,458,272	-	7,458,272	-	7,458,272
Quoted equities	-	275,721	-	-	275,721	275,721	-	-	275,721
Promissory note	-	50,204	-	-	50,204	-	50,204	-	50,204
Unquoted equities	-	19,608	-	-	19,608	-	19,608	-	19,608
	-	67,338,534	-	-	67,338,534	275,721	67,062,813	-	67,338,534

The following table sets out the fair values of financial instruments not measured at fair value and analysis them by the level in the fair value hierarchy into wich each value measurement is categorised.

	Amortised cost	Fair value through other comprehensive income	Fair value through profit or loss	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value:									
Cash resources	29,205,481	-	-	-	29,205,481	-	29,205,481	-	29,205,481
Securities purchased under resale agreements	6,466,049	-	-	-	6,466,049	-	7,337,385	-	7,337,385
Corporate bonds	1,500	-	-	-	1,500	-	1,500	-	1,500
Certificates of deposit	7,992,115	-	-	-	7,992,115	-	7,992,115	-	7,992,115
Due from related entities	379,174	-	-	-	379,174	-	-	379,174	379,174
Loans	112,077,420	-	-	-	112,077,420	-	-	112,077,420	112,077,420
Other assets	2,049,253	-	-	-	2,049,253	-	-	2,049,253	2,049,253
	158,170,992	-	-	-	158,170,992	-	44,536,481	114,505,847	159,042,328
Financial liabilities not measured at fair value:									
Due to specialised financial institutions	-	-	-	3,969,808	3,969,808	-	-	3,969,808	3,969,808
Customer deposits	-	-	-	178,488,572	178,488,572	-	-	178,488,572	178,488,572
Securities sold under repurchase agreements	-	-	-	16,087,441	16,087,441	-	-	16,087,441	16,087,441
Other payables	-	-	-	1,571,105	1,571,105	-	-	1,571,105	1,571,105
Due to related entities	-	-	-	149,148	149,148	-	-	149,148	149,148
Long-term loan	-	-	-	14,532,700	14,532,700	-	-	14,532,700	14,532,700
	-	-	-	214,798,774	214,798,774	-	-	214,798,774	214,798,774

35. Fair value of financial instruments (continued)

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

The following table shows the valuation techniques used in measuring the fair value of investment securities classified as level 2.

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

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

36. Commitments

At March 31, 2023, the Bank had:

(a) Undisbursed approved loans and loan commitments amounting to approximately $12,039,000,000 (2022: $10,135,095,000).

(b) Capital commitments:

Commitments for capital expenditure amounted to $37,355,000 (2022: $233,517,000).

(c) Sponsorship commitments:

Commitments for sponsorship expenditures amounted to $79,502,000 (2022: $42,000,000).

37. Contingent liabilities

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

38. Dividends

	2023 $'000	2022 $'000
Dividends paid	-	500,000

In the prior year the directors declared interim dividends to the parent of $500,000,000.

39. Significant accounting policies

The Bank has consistently applied the following accounting policies to all periods presented in the financial statements.

(a) Financial assets and financial liabilities

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 Bank commits to purchase or sell the asset.

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

As the transaction price is usually the best evidence of fair value at initial recognition, represented by the fair value of the consideration given or received in exchange for the financial instrument, any difference between the fair value measured by the Bank and the transaction price is recognised as a Day 1 gain or loss. Accordingly, if immediately upon initial recognition the fair value of a financial asset measured at amortised cost and investments in debt instruments measured at FVOCI, as described in note 35, is less than the acquisition cost, an expected credit loss allowance is recognised against the asset, accounted for as follows:

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

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

Financial assets

Classification and subsequent measurement

The Bank classifies its financial assets in the following measurement categories:

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

39. Significant accounting policies (continued)

(a) Financial assets and financial liabilities (continued)

Financial assets (continued)

Classification and subsequent measurement (continued)

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, and government and corporate bonds.

Classification and subsequent measurement of debt instruments depend on:

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

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 34(b). Interest income from these financial assets is included in 'Interest revenue' 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 FVOCI. Movements in the carrying amounts are recognised in OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Net gains/(losses) on derecognition of financial assets measured at amortised cost'. Interest income from these financial assets is included in 'interest revenue' 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 instrument 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 in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Net gains/(losses) on derecognition of financial assets measured at amortised cost'. Interest income from these financial assets is included in 'Interest revenue' using the effective interest rate method.

39. Significant accounting policies (continued)

(a) Financial assets and fianacial liabilities (continued)

Financial assets (continued)

Classification and subsequent measurement (continued)

Debt instruments (continued)

Business model: the business model reflects how the Bank manages the assets in order to generate cash flows. The measurement category (from the three above) that the Bank selects for a particular debt instrument depends on the business model applicable to that instrument. There are three business models, namely, hold and collect, hold to collect and sell and other. The Bank determines whether its 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 the 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 Bank in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

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

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

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

The Bank reclassifies debt instrument 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 evidences a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

39. Significant accounting policies (continued)

(a) Financial assets and fianancial liabilities (continued)

Financial assets (continued)

Classification and subsequent measurement (continued)

Equity instruments (continued)

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

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

Financial liabilities

The Bank classifies its financial liabilities as 'at fair value through profit or loss (FVTPL)' if they are held for trading, or designated by the entity as being at FVTPL (if the specified conditions are met); otherwise, they are classified as 'at amortised cost'.

Financial liabilities classified as at FVTPL are initially recognised at fair value and are thereafter carried at fair value. Financial liabilities classified as at amortised cost are initially recognised at fair value less transaction costs and are thereafter carried at amortised cost using the effective interest method.

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, fees and points paid or received that are integral to the effective interest rate, such as origination fees.

39. Significant accounting policies (continued)

(a) Financial assets and fianancial liabilities (continued)

Measurement methods (continued)

For purchased or originated credit-impaired ('POCI') financial assets - assets that are credit-impaired [see definition on note 39(r)] at initial recognition - the Bank calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

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

Modification of loans

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

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

If the terms are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired and the Bank derecognises the original financial asset and recognises a 'new' asset at fair value plus any eligible transaction costs.

Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and

- other fees are included in profit or loss as part of the gain or loss on derecognition. A new effective interest rate for the asset is then calculated.

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

39. Significant accounting policies (continued)

(a) Financial assets and fianancial liabilities (continued)

Measurement methods (continued)

Modification of loans (continued)

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

Financial liabilities

The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

The impact of modifications of financial assets on the expected credit loss calculation is set out in note 34(b)(vi).

Derecognition of financial assets and financial liabilities

Financial assets

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

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 derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss. Any cumulative gain or loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

39. Significant accounting policies (continued)

(a) Financial assets and fianancial liabilities (continued)

Derecognition of financial assets and financial liabilities (continued)

Financial assets (continued)

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

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

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

Financial liabilities

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Identification and measurement of impairment

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

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

Note 34(b) provides more details of how the expected credit loss allowance is measured.

39. Significant accounting policies (continued)

(a) Financial assets and fianancial liabilities (continued)

Financial liabilities (continued)

Identification and measurement of impairment (continued)

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

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

Financial guarantee contracts and loan commitments

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

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

- The amount of the loss allowance, and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

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

(b) Fair value measurement :

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

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

39. Significant accounting policies (continued)

(b) Fair value measurement (continued):

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

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

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

The Bank manages and monitor the investment portfolio both on an aggregate portfolio and segment basis given the risk embedded. Each security holding is assessed to identify and measure the level of counterparty credit risk at least annually to ensure that risk exposure are within the Bank's appetite. The various portfolio segments are monitored based on the risk profile and the nature of such investment holdings, such as currency (US versus JMD), rated securities , unrated securities ,corporate, sovereigns etc. The respective segments are subject to ongoing monitoring to ensure compliance with applicable investment policy limits. The management of the portfolio utilizes scenario analysis and stress testing to assess and measure potential losses.

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

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

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

39. Significant accounting policies (continued)

(b) Fair value measurement (continued):

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

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

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

(c) Property, plant and equipment:

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

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

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

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

The depreciation rates are as follows:

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

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

39. Significant accounting policies (continued)

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

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

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

(e) Cash resources:

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

(f) Investment property:

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss. Any gain or loss on disposal of investment properties (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Rental income from investment property is recognised on the straight-line basis over the term of the lease, and accounted for on the accrual basis.
Fair value is determined on an annual basis by independent appraisers.

(g) Intangible assets:

[i] Initial acquisition:

Intangible assets that are acquired by the Bank and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

[ii] Subsequent expenditure:

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

39. Significant accounting policies (continued)

(g) Intangible assets (continued):

[iii] Amortisation:

Amortisation is charged to profit or loss on the straight-line basis over the estimated useful lives of intangible assets, unless such lives are indefinite. The Bank's intangible assets comprise software, which is amortised from the date it is available for use. The estimated use of the software is 3 years.

(h) Assets held for sale:

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

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

(i) Other assets:

Other assets are measured at amortised cost less impairment losses.

(j) Employee benefits:

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

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

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

[i] Short-term employee benefits:

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

39. Significant accounting policies (continued)

(j) Employee benefits (continued):

[ii] Defined-contribution plans:

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

[iii] Defined-benefit plans:

Employee benefits, comprising post-employment obligations included in the financial statements, have been actuarially determined by a qualified independent actuary, appointed by management using the projected unit credit method. The actuary's report outlines the scope of the valuation and the actuary's opinion.

The actuarial valuation is conducted in accordance with IAS 19, and the financial statements reflect the Bank's post-employment benefit obligations as computed by the actuary. In carrying out their audit, the auditors rely on the actuary's report.

The defined-benefit plan provides benefits for retired employees of the Jamaica National group entities. In the financial statements of the Bank, the plan is accounted for as a defined-benefit plan, as described below, while in the financial statements of the individual participating group companies, the plan is accounted for as a defined-contribution plan, that is, contributions by each group entity, is expensed as they become due. The reasons for this are that (1) although the plan exposes the participating group entities to actuarial risks associated with current and former employees of group entities, there is no stated policy for charging the net defined benefit cost among group entities, and (2) all residual interest in the plan remains with the Bank.

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

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

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

39. Significant accounting policies (continued)

(k) Loans payable:

Loans payable are recognised initially at cost, being their issue proceeds, less attributable transaction costs incurred. Subsequent to initial recognition, they are stated at amortised cost, with any difference between net proceeds and redemption value being recognised in profit or loss on the effective interest rate basis. The associated costs are included in interest expense.

(l) Contingencies:

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

(m) Other payables:

Other payables are measured at amortised cost.

(n) Interest in equity-accounted investee

The Bank's interest in equity-accounted investee comprise interests in an associate.

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

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

39. Significant accounting policies (continued)

(o) Taxation:

[i] Current income tax:

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

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

[ii] Deferred income tax:

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

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

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

39. Significant accounting policies (continued)

(p) Foreign currencies:

[i] Monetary foreign currency balances at the reporting date are translated at the Bank of Jamaica's weighted average rate of US$1.00 = J$150.4386 (2022: J$153.3059), UK£1.00 = J$186.9137 (2022: J$200.4487) and CDN$1.00 = J$111.9488 (2022: J$123.4115), being the rates of exchange ruling on that date. Other foreign currency balances at the reporting date have been translated using indicative rates provided by the Bank of Jamaica of €1.00 = J$166.5808 (2022: J$187.2076) and Cayman Dollar 1.00 = J$184.1097 (2022: J$185.8091).

[ii] Transactions in foreign currencies are converted at the rates of exchange ruling on the dates of those transactions.

Realised and unrealised gains and losses arising from fluctuations in exchange rates are included in profit or loss, except for differences arising on the re-translation of FVOCI equity investments [note 39(b)].

(q) Allowance for credit losses:

The allowance for credit losses is maintained at a level considered adequate to provide for probable credit losses and is based on management's evaluation of individual loans in the credit portfolio. The evaluation takes all relevant matters into consideration, including prevailing and anticipated business and economic conditions, the collateral held, the debtor's ability to repay the loan, the other matter required by IFRS 9 to be taken into into account in computing expected credit losses and set out in note 34(b) and guidance provided by BOJ, which requires that appropriate provision be made for all loans on which interest payments and principal repayments are ninety or more days in arrears. Amounts are written-off from the provision whenever management has concluded that such amounts may not be recovered.

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

IFRS 9 only permits specific loan loss provision based upon the Bank's expected credit loss experience. It also requires that the expected future cash flows of impaired loans be discounted and the increase in the present value be reported as interest income. The credit loss provision required under the Regulations (note 2) that is in excess of the requirements of IFRS is treated as an appropriation of retained earnings and included in a non-distributable credit loss reserve.

(r) Interest income and expense:

Interest income and expense are calculated by applying the effective interest rate to the gross carrying amount of financial assets or liabilities, except for:

[i] POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset; and

[ii] Financial assets that are not 'POCI' but have subsequently become credit-impaired (or i.e. '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).

39. Significant accounting policies (continued)

(s) Impairment of non-financial assets:

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

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGUs).

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

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

Impairment losses are recognised in profit or loss. They are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

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

(t) Leases:

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank uses the definition of a lease in IFRS 16.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

39. Significant accounting policies (continued)

(t) Leases (continued):

As a lessee (continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Bank by the end of the lease term or the cost of the right-of-use asset reflects that the Bank will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

The Bank determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and the corresponding obligation as lease liabilities.

Short-term leases and leases of low-value assets

The Bank has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Bank recognises the lease payments associated with these leases as an expense on the straight-line basis over the lease term.

39. Significant accounting policies (continued)

(u) Revenue recognition:

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

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

The accounting policy for interest income is described at note 39(r).

(v) Fees and commission:

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

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

(w) Business combinations under common control:

The Bank accounts for business combinations under common control using the book-value method when control is transferred to the Bank. The consideration transferred in the acquisition is generally measured at book value, as only the assets and liabilities were transferred. Any gain or bargain purchase is recognised in profit or loss immediately and the results of the combined operations would be presented prospectively.

39. Significant accounting policies (continued)

(x) New and amended standards that became effective during the year:

Certain new and amended standards came into effect the during the current financial year, none of which had any significant impact on these financial statements.

(y) New and amended standards and interpretations issued but are not yet effective:

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

- Amendments to IFRS 16 *Leases* will apply retrospectively for annual reporting periods beginning on or after January 1, 2024. The amendments impact how a seller-lessee accounts for variable lease payments that arise in a sale-and-leaseback transaction. The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since 2019. The amendments confirm the following

  (i) On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.

  (ii) After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

  The Bank does not expect the amendments to have a significant impact on its financial statements.

- Amendments to IAS 1 *Presentation of Financial Statements*, will apply retrospectively for annual reporting periods beginning on or after January 1, 2024. The amendments promote consistency in application and clarify the requirements on determining if a liability is current or non-current.

  Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the requirement for a right to be unconditional has been removed and, instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. A company classifies a liability as non-current if it has a right to defer settlement for at least twelve months after the reporting period. It has now been clarified that a right to defer exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date.

39. Significant accounting policies (continued)

(y) New and amended standards and interpretations issued but are not yet effective (continued)

- Amendments to IAS 1 *Presentation of Financial Statements* (continued)

  With the amendments, convertible instruments may become current. In light of this, the amendments clarify how a company classifies a liability that includes a counterparty conversion option, which could be recognised as either equity or a liability separately from the liability component under IAS 32. Generally, if a liability has any conversion options that involve a transfer of the company's own equity instruments, these would affect its classification as current or non-current. It has now been clarified that a company can ignore only those conversion options that are recognised as equity when classifying liabilities as current or non-current.

  The Bank does not expect the amendments to have a significant impact on its financial statements.

- Amendments to IAS 1 *Presentation of Financial Statements* are effective for annual periods beginning on or after January 1, 2023 and may be applied earlier. The amendments help companies provide useful accounting policy disclosures.

  The key amendments to IAS 1 include:

  (i) requiring companies to disclose their material accounting policies rather than their significant accounting policies;
  (ii) clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
  (iii) clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

  The amendments are consistent with the refined definition of material:

  "Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements".

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

- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* are effective for periods beginning on or after January 1, 2023, with early adoption permitted. The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

  The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

39. Significant accounting policies (continued)

(y) New and amended standards and interpretations issued but are not yet effective (continued)

- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (continued)

  Developing an accounting estimate includes both:

  (i) selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS *9 Financial Instruments*; and
  (ii) choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.*

  The effects of changes in such inputs or measurement techniques are changes in accounting estimates.

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

- Amendments to IAS 12 *Income Taxes* are effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted. The amendments clarify how companies should account for deferred tax on certain transactions – e.g. leases and decommissioning provisions.

  The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

  For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. If a company previously accounted for deferred tax on leases and decommissioning liabilities under the net approach, then the impact on transition is likely to be limited to the separate presentation of the deferred tax asset and the deferred tax liability.

  For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

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

40. Merger

As indicated in note 1, the operations of JN Small Business Loans Limited (JNSBL) was integrated into the Bank as part of a wider JN Group strategy effective July 1, 2022. The Bank uses the book-value method when accounting for business combinations under common control. The assets and liabilities of JNSBL merged into the Bank as follows.

	2023 $'000
Cash and cash equivalent	384,380
Loans, after allowance for impaired losses	415,054
Other assets	17,647
Property, plant and equipment	33,095
Intangible assets	18,394
Due to related entities	(516,943)
Other payables	(275,776)
Loans payable	(80,000)
Total identifiable net liabilities acquired	(4,149)

41. Impact of COVID-19 and Russia/Ukraine War

The Jamaican economy continues to show resilience with strong recovery from the COVID-19 pandemic and the impact of the Russia/Ukraine war. External shocks have resulted in high inflation, tightening monetary policy geared towards curbing inflation and increased risk of a global recession. Inflation is above acceptable ranges and tighter monetary actions are expected to persist in most jurisdictions, leading to a slowdown in global economic activity, reduction in the fair value of some financial instruments and potentially impacting financial sector stability. The Government of Jamaica (GOJ) continues to be focused on recovery activities and the Bank of Jamaica has taken an aggressive monetary policy stance geared towards addressing the rising inflation concerns.

The Bank continues to actively monitor and manage risks identified from the global macroeconomic environment due to COVID-19 and the Russia/Ukraine war, other external shocks and potential financial market uncertainty or instability in the markets in which the Bank operates. The capital of the Bank is strengthened to deal with significant risks arising from those threats.

42. Prior period adjustment

During the year, the Bank changed how it recognised its loan origination fees and associated expenses. These were previously recognised in profit or loss under IFRS 15 as the services were provided. IFRS 9, however requires that these fees were to be amortised over the life of the loans. Consequently, these amounts were overstated in profit or loss. The correction has been made by restating the prior periods.

The Bank also corrected the treatment of some capital projects that were inadvertently recorded as operating expenses instead of being deferred. This resulted in an overstatement of expenses.

JN BANK LIMITED

Notes to the Financial Statements
March 31, 2023

42. Prior period adjustment (continued)

The errors have been corrected by restating each of the affected financial statements line items for prior periods. The following tables summarise the impact on the Bank's financial statements.

(a) Statements of Financial Position

	March 31, 2022			April 1, 2021		
	As previously reported	Adjustments	As restated	As previously reported	Adjustments	As restated
	$'000	$'000	$'000	$'000	$'000	$'000
Loans, after allowance for impairment losses	113,136,132	(457,575)	112,678,557	107,109,382	(329,807)	106,779,575
Other assets	1,841,924	207,329	2,049,253	639,143	174,137	813,280
Others	121,484,066	-	121,484,066	105,964,592	-	105,964,592
Total assets	236,462,122	(250,246)	236,211,876	213,713,117	(155,670)	213,557,447
Retained earnings	1,783,633	(250,246)	1,533,387	3,425,403	(155,670)	3,269,733
Others	234,678,489	-	234,678,489	210,287,714	-	210,287,714
Total liabilities and equity	236,462,122	(250,246)	236,211,876	213,713,117	(155,670)	213,557,447

(b) Statement of Profit or Loss and Other Comprehensive Income

	March 31, 2022		
	As previously reported	Adjustments	As restated
	$'000	$'000	$'000
Net interest income	9,659,562	8,944	9,668,506
Impairment losses on financial instruments	(525,292)	-	(525,292)
Gain on disposal of fair value through other comprehensive income (FVOCI) investment securities	713,826	-	713,826
Other operating income	4,776,256	(136,711)	4,639,545
Operating expenses	(13,453,355)	33,191	(13,420,164)
Fair value gain on investment properties	127,224	-	127,224
Finance expense-leases	(18,234)	-	(18,234)
Operating profit	1,279,987	(94,576)	1,185,411
Share of profit of associate	57,772	-	57,772
Unrealised foreign exchange gains/(losses)	(206,370)	-	(206,370)
Profit before taxation	1,131,389	(94,576)	1,036,813
Taxation	(578,830)	-	(578,830)
Profit for the year	552,559	(94,576)	457,983
Other comprehensive (loss)/income:			
Items that are or may be reclassified to profit or loss:	(1,516,564)	-	(1,516,564)
Items that will never be reclassified to profit or loss	35,390	-	35,390
Total comprehensive loss for the year	(928,615)	(94,576)	(1,023,191)

42. Prior period adjustment (continued)

(c) Statement of Cash Flows

	March 31, 2022		
	As previously reported $'000	Adjustments $'000	As restated $'000
Profit for the year	552,559	(94,576)	457,983
Adjustment for:			
Interest income	(11,615,317)	(8,944)	(11,624,261)
Other assets	(1,129,084)	103,520	(1,025,564)
Others	12,897,783	-	12,897,783
Net cash provided by operating activities	705,941	-	705,941
Net cash used in investing activities	(17,128,135)	-	(17,128,135)
Net cash provided by financing activities	11,581,262	-	11,581,262
Net decrease in cash and cash equivalents	(4,840,932)	-	(4,840,932)
Cash and cash equivalents at beginning of year	18,336,098	-	18,336,098
Effects of exchange rate changes on cash and cash equivalents	633,795	-	633,795
Cash and cash equivalents at end of year	14,128,961	-	14,128,961