

JN BANK LIMITED  
FINANCIAL STATEMENTS  
MARCH 31, 2026



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## INDEPENDENT AUDITORS' REPORT

To the Shareholder 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 4 to 90, which comprise the statement of financial position as at March 31, 2026, 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 material 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, 2026, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by 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.



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## INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Shareholder of  
JN BANK LIMITED

### **Report on the Audit of the Financial Statements (continued)**

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting Standards 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.
- 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.



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Shareholder of  
JN BANK LIMITED

**Report on the Audit of the Financial Statements (continued)**

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

- 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.

**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.

Chartered Accountants  
Kingston, Jamaica

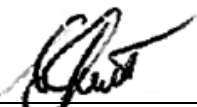
June 10, 2026

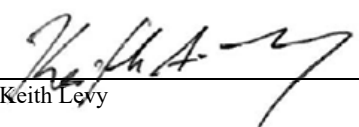
**JN BANK LIMITED****Statement of Financial Position**  
**March 31, 2026**

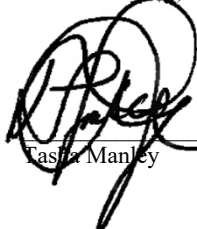
	<u>Notes</u>	<u>2026</u> \$'000	<u>2025</u> \$'000
<b>ASSETS</b>			
Cash and cash equivalents	5,8(c)(ii)	10,628,585	19,346,987
Cash reserve	5	19,897,379	17,796,312
Securities purchased under resale agreements	6	4,219,335	2,828,081
Investments	7	66,467,563	63,206,216
Due from related entities	8(c)(i)	888,435	1,459,617
Taxation recoverable		-	960,395
Loans, after allowance for impairment losses	9(a),8(c)(ii)	165,393,876	154,841,984
Other assets	10	4,137,703	3,197,947
Interest in associate	11	190,789	144,630
Investment property	12	1,539,100	682,000
Property and equipment	13	4,140,439	4,006,713
Intangible assets	14	4,607,925	3,779,328
Deferred tax asset, net of deferred tax liability	15	3,461,182	3,810,342
Right-of-use assets	16(a)(i)	<u>390,063</u>	<u>555,321</u>
Total assets		<u>285,962,374</u>	<u>276,615,873</u>
<b>LIABILITIES</b>			
Due to specialised financial institutions	17	4,497,394	4,252,075
Customer deposits	18,8(c)(ii)	233,994,380	210,179,859
Due to related entities	8(c)(i)	246,174	290,530
Securities sold under repurchase agreements	19,8(c)(ii)	11,616,741	28,247,660
Other payables	20	2,655,906	2,950,434
Taxation payable		130,550	-
Employee benefits obligation	21(b)	1,479,780	1,361,624
Lease liabilities	16(a)(ii)	<u>1,463,529</u>	<u>1,913,751</u>
Total liabilities		<u>256,084,454</u>	<u>249,195,933</u>
<b>EQUITY</b>			
Share capital	22	11,511,000	11,511,000
Reserve fund	23	7,972,159	7,826,732
Contractual savings reserve	24	14,223	14,223
Other reserves	25	4,922,794	4,151,135
Retained earnings		<u>5,457,744</u>	<u>3,916,850</u>
Total equity		<u>29,877,920</u>	<u>27,419,940</u>
Total liabilities and equity		<u>285,962,374</u>	<u>276,615,873</u>

The financial statements on pages 4 to 90 were approved for issue by the Board of Directors on June 9, 2026 and signed on its behalf by:

  
 \_\_\_\_\_ Chairman  
 Gladstone Lewars

  
 \_\_\_\_\_ Director  
 Hon. Earl Jarrett, OJ, CD, JP, CStJ.

  
 \_\_\_\_\_ Director  
 Keith Levy

  
 \_\_\_\_\_ Secretary  
 Cassia Manley

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, 2026**

	<u>Notes</u>	<u>2026</u> \$'000	<u>2025</u> \$'000
Interest income calculated using the effective interest method:			
Interest on loans	8(d)	15,873,368	14,731,672
Interest on investments		<u>3,975,455</u>	<u>3,569,780</u>
		19,848,823	18,301,452
Interest expense calculated using the effective interest method	27,8(d)	<u>( 3,761,081)</u>	<u>( 3,813,536)</u>
Net interest income		16,087,742	14,487,916
Impairment losses on financial instruments	32(b)(vi)	<u>( 284,705)</u>	<u>( 653,800)</u>
Gain on disposal of fair value through other comprehensive income (FVOCI) investment securities		19,172	134,762
Other operating income	28,8(d)	4,940,697	4,004,914
Fair value gain on investment property	12	90,341	120,921
Operating expenses	29,8(d)	<u>(17,842,042)</u>	<u>(17,023,784)</u>
Finance expense – leases	16(a)(iii)	<u>( 196,228)</u>	<u>( 208,928)</u>
Operating profit		2,814,977	862,001
Share of profit in associate	11	23,075	24,187
Unrealised foreign exchange losses		<u>( 547,856)</u>	<u>( 304,254)</u>
Profit before taxation		2,290,196	581,934
Taxation	31	<u>( 835,922)</u>	<u>( 143,122)</u>
Profit for the year		<u>1,454,274</u>	<u>438,812</u>

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, 2026**

	<u>Notes</u>	<u>2026</u> \$'000	<u>2025</u> \$'000
Profit for the year		<u>1,454,274</u>	<u>438,812</u>
<b>Other comprehensive income/(loss):</b>			
<b>Items that are or may be reclassified to profit or loss:</b>			
Realised gain on investments recognised in statement of profit or loss		( 19,172)	(134,762)
Increase in fair value of FVOCI debt securities, net of impairment losses		842,151	75,519
Deferred tax on FVOCI debt securities and expected credit loss (ECL)	15	( 267,979)	<u>19,555</u>
		<u>555,000</u>	( 39,688)
<b>Items that will never be reclassified to profit or loss:</b>			
Remeasurement of employee benefits obligation	21(b) (iii)	( 8,083)	(136,136)
Deferred tax on employee benefits obligation	15	2,694	45,379
Increase in equity investments at FVOCI, net change in fair value		<u>454,095</u>	<u>-</u>
		<u>448,706</u>	( 90,757)
<b>Total other comprehensive income/(loss) for the year</b>		<u>1,003,706</u>	(130,445)
<b>Total comprehensive income for the year</b>		<u>2,457,980</u>	<u>308,367</u>

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, 2026**

	Share capital \$'000 (note 22)	Reserve fund \$'000 (note 23)	Contractual savings reserve \$'000 (note 24)	Other reserves \$'000 (note 25)	Retained earnings \$'000	Total equity \$'000
Balances as at March 31, 2024	11,511,000	7,782,851	14,223	3,910,883	3,892,616	27,111,573
<b>Total comprehensive income for the year 2025:</b>						
Profit for the year	-	-	-	-	438,812	438,812
Other comprehensive income/(loss):						
Realised gain on investments recognised in statement of profit or loss	-	-	-	( 134,762)	-	( 134,762)
Increase in fair value of FVOCI investment securities, net of impairment losses	-	-	-	75,519	-	75,519
Deferred tax on FVOCI investment securities and ECL	-	-	-	19,555	-	19,555
Remeasurement of employee benefits obligation	-	-	-	-	( 136,136)	( 136,136)
Deferred tax on employee benefits obligation	-	-	-	-	45,379	45,379
Total other comprehensive loss	-	-	-	( 39,688)	( 90,757)	( 130,445)
Total comprehensive (loss)/ income	-	-	-	( 39,688)	348,055	308,367
<b>Movements between reserves:</b>						
Transfer to reserve fund (note 23)	-	43,881	-	-	( 43,881)	-
Transfer to credit loss reserve	-	-	-	279,940	( 279,940)	-
	-	43,881	-	279,940	( 323,821)	-
Balances as at March 31, 2025	11,511,000	7,826,732	14,223	4,151,135	3,916,850	27,419,940
<b>Total comprehensive income for the year 2026:</b>						
Profit for the year	-	-	-	-	1,454,274	1,454,274
Other comprehensive income/(loss):						
Realised gain on investments recognised in statement of profit or loss	-	-	-	( 19,172)	-	( 19,172)
Increase in fair value of FVOCI debt securities, net of impairment losses	-	-	-	842,151	-	842,151
Deferred tax on FVOCI debt securities and ECL	-	-	-	( 267,979)	-	( 267,979)
Remeasurement of employee benefits obligation	-	-	-	-	( 8,083)	( 8,083)
Equity investments at FVOCI, net change in fair value	-	-	-	-	454,095	454,095
Deferred tax on employee benefits obligation	-	-	-	-	2,694	2,694
Total other comprehensive income	-	-	-	555,000	448,706	1,003,706
Total comprehensive income	-	-	-	555,000	1,902,980	2,457,980
<b>Movements between reserves:</b>						
Transfer to reserve fund (note 23)	-	145,427	-	-	( 145,427)	-
Transfer to credit loss reserve	-	-	-	216,659	( 216,659)	-
	-	145,427	-	216,659	( 362,086)	-
Balances as at March 31, 2026	11,511,000	7,972,159	14,223	4,922,794	5,457,744	29,877,920

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

**JN BANK LIMITED****Statement of Cash Flows**  
**Year ended March 31, 2026**

	<u>Notes</u>	<u>2026</u> \$'000	<u>2025</u> \$'000
<b>Cash flows from operating activities</b>			
Profit for the year		1,454,274	438,812
Adjustments to reconcile profit for the year to net cash used in operating activities:			
Depreciation - property and equipment	13	371,130	380,728
Depreciation on right-of-use assets	16(a)(i)	197,849	196,735
Amortisation of intangible assets	14	276,635	279,895
Gain on disposal of property and equipment	28(b)	( 106)	( 5,985)
Gain on disposal of investments		( 19,172)	( 134,762)
Fair value gain on investment property	12	( 90,341)	( 120,921)
Loss from foreign exchange rate changes		43,558	296,307
Share of profit in associate	11	( 23,075)	( 24,187)
Impairment losses on financial instruments	32(b)(vi)	284,705	653,800
Dividend income	28(b)	( 79,296)	( 31,185)
Interest income		( 19,848,823)	(18,301,452)
Interest expense	27	3,761,081	3,813,536
Interest expense on lease liabilities	16(a)(iii)	196,228	208,928
Tax expense	31(a)(i)	752,047	142,747
Deferred taxation	31(a)(ii)	83,875	375
Benefits paid – employee benefits obligation	21(b)	( 20,096)	( 15,773)
Current and past service cost - employee benefits obligation	21(b)	55,915	47,879
Curtailment - employee benefits obligation	21(b)	( 43,720)	-
Interest cost - employee benefits obligation	21(b)	<u>117,974</u>	<u>112,649</u>
		( 12,529,358)	(12,061,874)
Changes in operating assets and liabilities:			
Due from related entities		586,793	( 559,858)
Taxation recoverable		443,343	183,445
Loans		( 11,195,961)	( 3,697,354)
Other assets		( 924,432)	( 1,187,532)
Customer deposits		22,934,199	7,674,159
Due to related entities		( 44,356)	( 20,133)
Margin loan payable		-	( 2,216,038)
Other payables		( 295,721)	83,615
Statutory reserves at Bank of Jamaica		<u>( 2,101,067)</u>	<u>( 274,948)</u>
		( 3,126,560)	(12,076,518)
Interest paid		( 3,657,893)	( 4,032,778)
Interest received		20,053,820	18,078,668
Income tax paid		<u>( 104,445)</u>	<u>( 50,611)</u>
Net cash provided by operating activities		<u>13,164,922</u>	<u>1,918,761</u>
<b>Cash flows from investing activities</b>			
Acquisition of investments		( 93,713,262)	(60,090,394)
Proceeds from disposal of investments		92,288,514	55,729,311
Acquisition of securities purchased under resale agreements		( 82,485,492)	(92,138,631)
Proceeds from sale of securities acquired under resale agreements		81,125,666	93,374,488
Dividend received		79,296	31,185
Dividends from equity accounted investee	11	-	23,845
Purchase of investment property	12	( 766,759)	-
Purchase of property and equipment	13	( 511,733)	( 246,336)
Purchase of intangible assets	14	( 1,105,232)	( 1,252,795)
Proceeds from disposal of property and equipment		<u>223</u>	<u>5,985</u>
Net cash used in investing activities		<u>( 5,088,779)</u>	<u>( 4,563,342)</u>
Net cash provided by/(used in) operating and investing activities (page 9)		<u>8,076,143</u>	<u>( 2,644,581)</u>

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, 2026**

	Notes	<u>2026</u> \$'000	<u>2025</u> \$'000
Net cash provided by/(used in) operating and investing activities (page 8)		<u>8,076,143</u>	<u>( 2,644,581)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of repurchase agreements	37	214,461,874	264,369,185
Repayment of repurchase agreements	37	(231,044,937)	(254,249,010)
Payment of lease liabilities	16(a)(iv), 37	( 468,779)	( 346,857)
Interest paid on lease liabilities	16(a)(iv), 37	( 196,228)	( 208,928)
Proceeds from specialised financial institutions	37	1,983,918	2,129,000
Payments to specialised financial institutions	37	( 1,738,599)	( 586,021)
Payments on long-term loan	37	<u>-</u>	<u>( 149,997)</u>
Net cash (used in)/provided by financing activities		<u>( 17,002,751)</u>	<u>10,957,372</u>
Net (decrease)/increase in cash and cash equivalents		( 8,926,608)	8,312,791
Cash and cash equivalents at beginning of year		19,346,987	10,596,820
Effects of exchange rate changes on cash and cash equivalents		<u>208,206</u>	<u>437,376</u>
Cash and cash equivalents at end of year	5	<u>10,628,585</u>	<u>19,346,987</u>

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

**JN BANK LIMITED****Notes to the Financial Statements**  
**March 31, 2026****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 wholly owned subsidiary of The Jamaica National Group Limited (“ultimate parent”). The entities are incorporated in Jamaica under the Jamaican Companies Act.

**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. Basis of accounting and preparation****(a) Basis of accounting:**

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

Details of the Bank’s material accounting policies, including changes during the year, are included in note 36.

**(b) Basis of preparation:**

The financial statements are prepared on the historical cost basis, except for certain financial instruments and investment property which are measured at fair value, as well as the liability for defined-benefit obligations which is recognised at its present value.

The preparation of the financial statements in conformity with IFRS Accounting Standards assumes that the Bank will continue in operational existence for the foreseeable future. In making this assessment, management considered a wide range of information including projections of profitability, regulatory capital requirements and funding needs. The assessment also included consideration of reasonably possible downside economic scenarios and their potential impacts on the profitability, capital and liquidity of the Bank.

Management continues to have a reasonable expectation that the Bank has adequate resources to continue in operation for at least twelve months from the date of approval of these financial statements and that the going concern basis of preparation remains appropriate.

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****3. Basis of accounting and preparation (continued)**

## (c) Functional and presentation currency:

The financial statements are presented in Jamaica dollars, which is the functional currency of the Bank. All amounts 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 Accounting Standards 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 prospectively from the period in which the estimate is revised.

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, 2027, are as follows:

## (i) Impairment of financial instruments [notes 32(b) and 36(a)]:

*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).

*Sensitivity of ECL to future economic conditions*

The ECL is 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.

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****4. Accounting estimates and judgements (continued)**

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

(ii) Post-retirement benefits (note 21):

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 actuarial assumptions used in determining the amounts recognised for certain post-retirement benefits 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 estimated 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-tenure security on the market. The estimated of rate of increase in medical costs is determined based on inflationary factors.

**5. Cash resources**

	<u>2026</u>	<u>2025</u>
	\$'000	\$'000
Cash and cash equivalents for statement of cash flows [see (c)]	10,628,585	19,346,987
Cash reserve with Bank of Jamaica [see (b)]	<u>19,897,379</u>	<u>17,796,312</u>
	<u>30,525,964</u>	<u>37,143,299</u>

(a) Cash and cash equivalents represent cash on hand and balances with banks that are unrestricted and can be withdrawn without prior notice.

(b) 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, 2026, the required percentage of average prescribed liabilities was 6% (2025: 6%) for Jamaica dollar and 14% (2025: 14%) for foreign currency liabilities.

(c) The Bank has a \$145,000,000 (2025: \$145,000,000) unsecured overdraft facility with a commercial bank. The facility was not utilised during the period.

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****6. Securities purchased under resale agreements**

	<u>2026</u> \$'000	<u>2025</u> \$'000
Principal	4,156,640	2,796,814
Interest receivable	<u>62,695</u>	<u>31,267</u>
	<u>4,219,335</u>	<u>2,828,081</u>

At March 31, 2026, securities obtained and held under resale agreements had a fair value of \$5,143,423,000 (2025: \$3,458,205,000).

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

	<u>2026</u> \$'000	<u>2025</u> \$'000
Within 3 months	1,901,055	-
3 months to 1 year	<u>2,255,585</u>	<u>2,796,814</u>
	<u>4,156,640</u>	<u>2,796,814</u>

**7. Investments**

	<u>2026</u> \$'000	<u>2025</u> \$'000
<b>Amortised cost</b>		
Certificates of deposit [see (iv) below]	7,503,087	3,083,069
Less ECL for debt securities at amortised cost [see 32(b)(vi)]	<u>(220)</u>	<u>(4,444)</u>
	<u>7,502,867</u>	<u>3,078,625</u>
<b>Fair value through other comprehensive income (FVOCI)</b>		
Corporate bonds	6,597,020	7,917,029
Government of Jamaica securities [see note 32(b)(vi) and (iii) below]	42,445,745	43,942,122
Treasury bills	8,499,787	7,325,030
Quoted equities	188,709	196,939
Unquoted equities [see (a) below]	<u>435,588</u>	<u>19,608</u>
	<u>58,166,849</u>	<u>59,400,728</u>
Investments, excluding interest receivable	65,669,716	62,479,353
Interest receivable	<u>797,847</u>	<u>726,863</u>
	<u>66,467,563</u>	<u>63,206,216</u>

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****7. Investments (continued)**

(a) The Bank holds 5,020,000 (2025: 5,020,000) and 143 (2025: 143) units of shares in Automated Payments Limited (APL), an automated clearing house operator, with principal activities including, the provision of an automated electronic cheque clearing network, and the facilitation of electronic payments through the operation of an Automated Clearing House Network (ACHN) and J.E.T.S. Limited, which operates a Shared Electronic Transaction Switching Network, providing Automated Banking Machine (ABM) Electronic Files Transfer (EFT), and other electronic transaction services, respectively. These shares are classified as fair value through other comprehensive income.

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

	<u>2026</u> \$'000	<u>2025</u> \$'000
No maturity – equity instruments	624,297	216,547
Within 3 months	14,083,323	7,245,614
3 months to 1 year	3,556,416	3,580,942
1 year to 5 years	17,456,313	17,714,101
5 years and over	<u>29,949,587</u>	<u>33,726,593</u>
	65,669,936	62,483,797
Less: ECL for debt securities at amortised cost	<u>( 220)</u>	<u>( 4,444)</u>
	<u>65,669,716</u>	<u>62,479,353</u>

(c) The Bank pledged investments amounting to \$978,616,000 (2025: \$978,616,000) to facilitate settlement of Multilink transactions. This represents the pledge of amounts to J.E.T.S Limited. It represents a proportional amount of JN Bank's ATM multilink transactions and is to cover J.E.T.S Limited due to delayed/overnight and over weekend settlements by all financial institutions on the multilink network.

(d) Certificates of deposit amounting to \$3,087,000 (2025: \$3,069,000) were pledged to cover a third-party guarantee.

**8. Related party balances and transactions**

(a) Definition of related party

Parties are considered to be related if one party has the ability to control or exercise significant influence over, or is controlled or significantly influenced by the other party, or both parties are subject to common control or significant influence.

(b) Identity of related parties and nature of transactions:

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

A number of banking transactions are entered into with related parties in the ordinary course of business. These include loans, deposits, investment management services and foreign currency transactions.

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****8. Related party balances and transactions (continued)**

## (b) Identity of related parties and nature of transactions (continued):

Related party transactions with the parent company include the payment of dividends. Related party transactions with the ultimate parent company comprise the payment of management fees, guarantee fees, centralised computing and other service fees. There were no other balances due to the ultimate parent company, outside of those balances set out in note 8(c).

Related party transactions comprise management and various technical and non-technical services including, see note 8(d):

- Data processing and information technology (IT) support
- Operations support
- Transaction processing support
- Delinquent account collection services

## (c) Balances with related entities:

	<u>2026</u> \$'000	<u>2025</u> \$'000
(i) Due from related entities:		
Ultimate parent	199,416	113,993
Parent	-	513,651
Fellow subsidiaries	657,473	831,973
Subsidiaries of fellow subsidiaries	<u>31,546</u>	<u>-</u>
	<u>888,435</u>	<u>1,459,617</u>
Due to related entities:		
Parent	( 224)	-
Fellow subsidiaries	( 31,628)	-
Subsidiaries of fellow subsidiaries	<u>( 214,322)</u>	<u>( 290,530)</u>
	<u>( 246,174)</u>	<u>( 290,530)</u>

Balances due from and to related entities are unsecured, interest free and due for settlement no more than twelve months after the reporting date.

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****8. Related party balances and transactions (continued)**

(c) Balances with related entities (continued):

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

	<u>2026</u>	<u>2025</u>
	\$'000	\$'000
Cash and cash equivalents		
Other related entities	8,834	8,825
Loans		
Directors	130,259	195,445
Other key management personnel	177,653	178,839
Ultimate parent [see (viii) below]	1,198,896	1,006,051
Fellow subsidiaries	-	94,966
Other related entities [see (iii) below]	247,016	335,336
Customer deposits [see (vii) below]		
Directors	( 93,791)	( 87,459)
Other key management personnel	( 48,565)	( 10,785)
Ultimate parent	( 217,600)	( 230,798)
Parent	( 379,563)	( 20,457)
Fellow subsidiaries	( 982,685)	( 3,707,709)
Subsidiaries of fellow subsidiaries	( 648,175)	( 542,811)
Securities sold under repurchase agreements		
Fellow subsidiary [see (iv) below]	-	(10,427,858)
Other assets		
Parent	-	280,000
Other payables		
Fellow subsidiary	( <u>464,371</u> )	( <u>423,416</u> )

(iii) Loans due from other related entities (indirect subsidiaries of the ultimate parent) bear fixed interest rates in the range of 8.5% to 9.85% per annum and are payable within twelve months of the reporting date. The ECL on these balances is immaterial.

(iv) Securities sold under repurchase agreements to the Bank's fellow subsidiary bore interest at rates ranging from 5% to 9% per annum. During the period, total amounts sold under repurchase agreements amounted to \$47,671,900,000 (2025: \$74,732,001,000), while amounts matured totalled \$51,475,800,000 (2025: \$74,837,800,000). The related party relationship with the Bank's fellow subsidiary, JN Fund Managers Limited, ceased upon its divestment from the Group on January 19, 2026.

(v) During the year, the Bank purchased assets from related entities amounting to \$824,919,000 (2025: \$66,679,000). These are recorded in property and equipment (note 13), as well as expenditure on IT projects in progress, included in software development-in progress (note 14).

(vi) During the year, the Bank acquired investment property from its parent company, JN Financial Group, with a fair value of \$767 million.

(vii) Deposits due to related entities bear fixed interest rates in the range of 0.02% to 2.75% per annum and are payable within twelve months of the reporting date.

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****8. Related party balances and transactions (continued)**

(c) Balances with related entities (continued):

(viii) The Bank has extended non-revolving and revolving loan facilities totalling approximately J\$1.2 billion to its ultimate parent company. The non-revolving facilities amounting to J\$1.1B mature as follows: J\$240M in December 2027, J\$240M in February 2028, J\$360M in May 2028, and J\$250M in May 2028. The revolving facility of J\$100M remained undrawn at the reporting date; however, management expects the facility to be drawn down during the 2027 financial year.

(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:

	<u>2026</u> \$'000	<u>2025</u> \$'000
Income:		
Interest income		
Ultimate parent	( 92,186)	( 91,645)
Fellow subsidiaries	( 1,084)	( 3,171)
Other related parties	( 29,000)	( 37,172)
Management fees		
Ultimate parent	( 25,550)	( 24,935)
Fellow subsidiaries	( 1,294)	( 2,218)
Other related entities	( 1,169)	( 1,169)
Other income		
Ultimate parent	( 4,130)	( 4,543)
Fellow subsidiaries	( 76,118)	( 129,820)
Other related entities	( 39,850)	( 62,560)
Expense:		
Maintenance expenses		
Fellow subsidiaries	9,219	72,294
Management fees (i)		
Ultimate parent	1,036,039	1,168,677
Parent	284,168	259,462
Fellow subsidiaries	6,273	35,892
Computer related expenses		
Other related entities (iii)	681,618	724,613
Lease interest expense		
Other related entities	4,941	3,372
Depreciation of right-of-use assets		
Other related entities	16,380	16,416
Service expense (ii)		
Ultimate parent	841,710	1,180,177
Parent	3,270	3,111
Other related entities (iii)	760,940	818,699
Insurance		
Other related entities	75,154	140,208
Interest expense		
Ultimate parent	179	186
Parent	4,720	42
Fellow subsidiaries	431,234	793,933
Other related entities	4,255	5,325
Other related parties:		
Contribution to pension scheme	167,533	168,591
Contribution to JN Foundation	<u>25,000</u>	<u>25,000</u>

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****8. 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 (continued):

(i) Management fees expense relates to charges for services provided to the Bank by its parent and ultimate parent company, and fellow subsidiaries. The fees are charged on a pre-determined, fixed rate basis for hours of service provided.

(ii) Service expenses relate to charges for services provided to the Bank. These charges include services for information technology, projects cost and legal fees. Fees are charged for hours of service provided.

(iii) Other related entities represent indirect subsidiaries of the ultimate parent.

(e) Compensation paid to key management personnel is as follows:

	<u>2026</u>	<u>2025</u>
	\$'000	\$'000
Directors' emoluments (note 29):		
Fees	10,621	11,637
Management remuneration	63,236	38,686
Other key management compensation (note 30)		
Short-term benefits	143,086	133,468
Post-employment benefits	<u>6,980</u>	<u>6,519</u>
	<u>223,923</u>	<u>190,310</u>

**9. Loans, after allowance for impairment losses**

	<u>2026</u>	<u>2025</u>
	\$'000	\$'000
Mortgage loans – principal [see (a)]	113,919,542	101,323,781
Term loans	1,978,859	1,881,971
Demand loans	15,298,317	21,208,966
Auto loans	12,516,956	10,075,824
Personal loans	8,060,689	8,674,944
Other loans	<u>12,701,913</u>	<u>10,451,489</u>
	164,476,276	153,616,975
Accrued interest	<u>917,600</u>	<u>1,225,009</u>
Net loans [see note 32(b)(vi)]	<u>165,393,876</u>	<u>154,841,984</u>

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****9. Loans, after allowance for impairment losses (continued)**

## (a) Loan maturity and concentration analysis:

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

	<u>2026</u> \$'000	<u>2025</u> \$'000
Within 3 months	6,214,891	8,155,379
3 months to 1 year	4,071,417	9,070,158
1 year to 5 years	42,464,596	39,473,777
5 years and over	<u>111,725,372</u>	<u>96,917,661</u>
	<u>164,476,276</u>	<u>153,616,975</u>

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

	<u>Number of</u> <u>accounts</u>		<u>Value</u>	
	<u>2026</u>	<u>2025</u>	<u>2026</u> \$'000	<u>2025</u> \$'000
Professional and other services	20,352	18,313	7,813,527	6,847,365
Individuals	56,995	56,395	133,538,779	123,139,528
Corporations	<u>134</u>	<u>159</u>	<u>24,041,570</u>	<u>24,855,091</u>
	<u>77,481</u>	<u>74,867</u>	<u>165,393,876</u>	<u>154,841,984</u>

Loans and advances on which interest is no longer accrued [see note 36(q)] amounted to \$14,293,249,000 (2025: \$11,545,725,000). This represents 8.54% (2025: 7.39%) of the gross loan portfolio. These loans are included in the financial statements net of allowance for impairment losses.

## (b) Allowance for loan losses:

Impairment losses on loans are as follows:

	<u>2026</u> \$'000	<u>2025</u> \$'000
At beginning of year	2,655,100	2,070,430
Increase in allowance made during the year [note 32(b)(vi)]	342,649	642,390
Write-offs during the year [note 32(b)(vi)]	( 18,121)	( 57,720)
At end of year [note 32(b)(vi)]	<u>2,979,628</u>	<u>2,655,100</u>

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****9. Loans, after allowance for impairment losses (continued)**

(b) Allowance for loan losses (continued):

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

	<u>2026</u> \$'000	<u>2025</u> \$'000
Specific allowance	2,852,903	1,960,486
General allowance	<u>1,277,402</u>	<u>1,628,632</u>
	<u>4,130,305</u>	<u>3,589,118</u>

The total allowance is broken down as follows:

	<u>2026</u> \$'000	<u>2025</u> \$'000
Provision as per IFRS [note 32(b)(vi)]	2,979,628	2,655,100
Additional allowance recognised as a reserve in equity based on Bank of Jamaica requirements [note 25]	<u>1,150,677</u>	<u>934,018</u>
	<u>4,130,305</u>	<u>3,589,118</u>

**10. Other assets**

	<u>2026</u> \$'000	<u>2025</u> \$'000
Deposits on property and equipment	787,518	375,987
Other receivables [see (i) below]	771,326	665,300
Prepayments	2,557,147	2,132,398
Office supplies	<u>21,712</u>	<u>24,262</u>
	<u>4,137,703</u>	<u>3,197,947</u>

(i) The Bank pledged other financial assets amounting to \$49,622,000 (2025: \$49,621,000) as cash collateral in relation to standing agreement with Visa, bearing an interest rate of 5.23%.

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****11. Interest in associate**

The Bank holds a 20% shareholding in JN Money Services (Cayman) Limited, which qualifies as an associate and is accounted for by using the equity method in these financial statements [see note 36(m)].

The company is engaged in money transfer services, including remittance and bill payments.

	<u>JN Money Services (Cayman) Limited</u>	
	<u>2026</u>	<u>2025</u>
	\$'000	\$'000
<b>Percentage ownership interest</b>	<b>20%</b>	<b>20%</b>
Non-current assets	572,067	556,089
Current assets	1,072,097	1,414,034
Current liabilities	( 722,115)	(1,177,465)
Non-current liabilities	( 81,284)	( 69,510)
Net assets (100%)	<u>840,765</u>	<u>723,148</u>
Bank's share of net assets (20%)	168,153	144,630
Foreign currency adjustment	<u>22,636</u>	<u>-</u>
Carrying amount of interest in associate	<u>190,789</u>	<u>144,630</u>
Revenue	1,074,408	1,001,959
Expenses	( 959,033)	( 881,024)
Profit, (being 100%)	<u>115,375</u>	<u>120,935</u>
Bank's share of profit in associate, (being 20%)	<u>23,075</u>	<u>24,187</u>
Dividends received by Bank	<u>-</u>	<u>23,845</u>

**12. Investment property**

	<u>2026</u>	<u>2025</u>
	\$'000	\$'000
Balance beginning of year	682,000	561,079
Additions [see note 8(c)(vi)]	766,759	-
Increase in fair value	<u>90,341</u>	<u>120,921</u>
Balance at end of year	<u>1,539,100</u>	<u>682,000</u>
	<u>2026</u>	<u>2025</u>
	\$'000	\$'000
Income earned from the properties [see (i) below]	12,143	32,725
Expenses incurred by the properties	<u>29,327</u>	<u>20,462</u>

(i) Income earned from properties is included in sundry income in note 28(b).

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****12. Investment property (continued)**

Measurement of fair value:

The fair value of investment property is categorised as Level 3 in the fair value hierarchy. The following table shows the valuation technique used in measuring the fair value as well as the significant unobservable/observable inputs used. The valuation of the property is carried out by independent qualified valuers with recent experience in the category and location of investment property being valued. 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.

Valuation technique	Significant unobservable/observable inputs	Inter-relationship between key inputs and fair value measurement
<p><i>Income approach:</i> The valuation model examines the price an investor would be prepared to pay for the right to receive a certain income stream.</p> <p>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.</p>	<ul style="list-style-type: none"> <li>• Expected market rental growth yields (7%-8.5%)</li> <li>• Occupancy rate (75%-85%)</li> <li>• Risk adjusted discount rate (9%)</li> </ul>	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> <li>• Expected market rental growth were higher/(lower);</li> <li>• The occupancy rates were higher/(lower);</li> <li>• Yields were lower/(higher)</li> </ul>
<p><i>Sales comparison method:</i> 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.</p>	<p>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.</p>	<p>The estimated fair value would increase/(decrease) if comparable property value was higher /(lesser)</p>

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****13. Property and equipment**

	<u>Freehold land and buildings</u> \$'000	<u>Leasehold land and buildings</u> \$'000	<u>Computers and office equipment</u> \$'000	<u>Motor vehicles</u> \$'000	<u>Work-in- progress</u> \$'000	<u>Total</u> \$'000
Cost:						
March 31, 2024	2,630,092	280,287	4,821,740	384,857	330,133	8,447,109
Additions	36,573	-	119,268	9,400	81,095	246,336
Transfers	-	-	-	-	(144,893)	( 144,893)
Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 16,511)</u>	<u>-</u>	<u>( 16,511)</u>
March 31, 2025	2,666,665	280,287	4,941,008	377,746	266,335	8,532,041
Additions	27,086	4,187	127,799	43,213	309,448	511,733
Transfers	-	-	-	-	( 6,760)	( 6,760)
Disposals	<u>-</u>	<u>-</u>	<u>( 522)</u>	<u>( 33,959)</u>	<u>-</u>	<u>( 34,481)</u>
March 31, 2026	<u>2,693,751</u>	<u>284,474</u>	<u>5,068,285</u>	<u>387,000</u>	<u>569,023</u>	<u>9,002,533</u>
Depreciation:						
March 31, 2024	219,809	231,388	3,325,065	384,687	-	4,160,949
Charge for the year	80,042	5,676	286,460	8,550	-	380,728
Eliminated on disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 16,349)</u>	<u>-</u>	<u>( 16,349)</u>
March 31, 2025	299,851	237,064	3,611,525	376,888	-	4,525,328
Charge for the year	70,661	13,234	279,423	7,812	-	371,130
Eliminated on disposals	<u>-</u>	<u>-</u>	<u>( 405)</u>	<u>( 33,959)</u>	<u>-</u>	<u>( 34,364)</u>
March 31, 2026	<u>370,512</u>	<u>250,298</u>	<u>3,890,543</u>	<u>350,741</u>	<u>-</u>	<u>4,862,094</u>
Net book values:						
March 31, 2026	<u>2,323,239</u>	<u>34,176</u>	<u>1,177,742</u>	<u>36,259</u>	<u>569,023</u>	<u>4,140,439</u>
March 31, 2025	<u>2,366,814</u>	<u>43,223</u>	<u>1,329,483</u>	<u>858</u>	<u>266,335</u>	<u>4,006,713</u>
March 31, 2024	<u>2,410,283</u>	<u>48,899</u>	<u>1,496,675</u>	<u>170</u>	<u>330,133</u>	<u>4,286,160</u>

Included in freehold land and buildings is the cost of land at \$57,200,000 (2025: \$57,200,000).

Work-in-progress represents various projects under construction, to include Automated Teller Machines (ATM) installations, office renovations and air conditioning chill water system replacements.

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****14. Intangible assets**

	<u>Software</u> \$'000	Software development - <u>in progress</u> \$'000	<u>Total</u> \$'000
Cost:			
March 31, 2024	3,295,803	664,922	3,960,725
Additions	339,027	913,768	1,252,795
Transfers	<u>62,981</u>	<u>( 62,981)</u>	<u>-</u>
March 31, 2025	3,697,811	1,515,709	5,213,520
Additions	<u>166,083</u>	<u>939,149</u>	<u>1,105,232</u>
March 31, 2026	<u>3,863,894</u>	<u>2,454,858</u>	<u>6,318,752</u>
Amortisation:			
March 31, 2024	1,154,297	-	1,154,297
Charge for the year	<u>279,895</u>	<u>-</u>	<u>279,895</u>
March 31, 2025	1,434,192	-	1,434,192
Charge for the year	<u>276,635</u>	<u>-</u>	<u>276,635</u>
March 31, 2026	<u>1,710,827</u>	<u>-</u>	<u>1,710,827</u>
Net book values:			
March 31, 2026	<u>2,153,067</u>	<u>2,454,858</u>	<u>4,607,925</u>
March 31, 2025	<u>2,263,619</u>	<u>1,515,709</u>	<u>3,779,328</u>
March 31, 2024	<u>2,141,506</u>	<u>664,922</u>	<u>2,806,428</u>

**15. Deferred tax asset, net of deferred tax liability**

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

	2026			
	<u>Balances at</u> <u>April 1, 2025</u> \$'000	<u>Recognised</u> <u>in profit</u> \$'000	<u>Recognised</u> <u>in other</u> <u>comprehensive</u> <u>income</u> \$'000	<u>Balances at</u> <u>March 31, 2026</u> \$'000
Property and equipment	( 133,403)	51,351	-	( 82,052)
Employee benefits obligation	453,829	36,688	2,694	493,211
Other payables	40,173	9,320	-	49,493
Contractual savings reserve	( 4,741)	-	-	( 4,741)
Investments	2,586,680	200,656	( 267,979)	2,519,357
ECL on investment debt securities at FVOCI	1,481	( 1,408)	-	73
Impairment losses on loans	231,515	( 189,278)	-	42,237
Right-of-use-assets	( 185,088)	55,080	-	( 130,008)
ECL on receivables	54,213	-	-	54,213
Lease liabilities	637,853	( 150,059)	-	487,794
Tax losses	85,064	( 81,501)	-	3,563
Unrealised foreign exchange losses	<u>42,766</u>	<u>( 14,724)</u>	<u>-</u>	<u>28,042</u>
	<u>3,810,342</u>	<u>( 83,875)</u>	<u>( 265,285)</u>	<u>3,461,182</u>

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****15. Deferred tax asset, net of deferred tax liability (continued)**

	2025			
	Balances at <u>April 1, 2024</u> \$'000	Recognised <u>in profit</u> \$'000	Recognised in other <u>comprehensive</u> <u>income</u> \$'000	Balances at <u>March 31, 2025</u> \$'000
Property and equipment	( 51,085)	( 82,318)	-	( 133,403)
Employee benefits obligation	360,208	48,242	45,379	453,829
Other payables	40,173	-	-	40,173
Contractual savings reserve	( 4,741)	-	-	( 4,741)
Investments	2,475,725	91,400	19,555	2,586,680
ECL on investment debt securities at FVOCI	1,292	189	-	1,481
Impairment losses on loans	279,012	( 47,497)	-	231,515
Right-of-use-assets	( 233,356)	48,268	-	( 185,088)
ECL on receivables	42,833	11,380	-	54,213
Lease liabilities	753,461	(115,608)	-	637,853
Tax losses	63,448	21,616	-	85,064
Fair value acquired loan portfolio	( 14,950)	14,950	-	-
Unrealised foreign exchange losses	<u>33,763</u>	<u>9,003</u>	<u>-</u>	<u>42,766</u>
	<u>3,745,783</u>	<u>( 375)</u>	<u>64,934</u>	<u>3,810,342</u>

**16. Leases**

- (a) The Bank leases buildings, which typically have a duration 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 short-term leases with contract terms of less than one year.

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****16. Leases (continued)**

(a) (Continued)

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

(i) Right-of-use assets

	<u>Freehold land and building</u> \$'000	<u>Leasehold land and building</u> \$'000	<u>Motor vehicles</u> \$'000	<u>Total</u> \$'000
Cost:				
March 31, 2024	899,897	130,567	82,077	1,112,541
Additions	<u>11,864</u>	<u>40,053</u>	<u>-</u>	<u>51,917</u>
March 31, 2025	911,761	170,620	82,077	1,164,458
Additions	34,050	-	13,371	47,421
Write-offs	<u>( 91,288)</u>	<u>( 54,050)</u>	<u>-</u>	<u>( 145,338)</u>
March 31, 2026	<u>854,523</u>	<u>116,570</u>	<u>95,448</u>	<u>1,066,541</u>
Depreciation:				
March 31, 2024	291,601	80,653	40,148	412,402
Charge for the year	<u>151,803</u>	<u>28,516</u>	<u>16,416</u>	<u>196,735</u>
March 31, 2025	443,404	109,169	56,564	609,137
Charge for the year	154,425	27,044	16,380	197,849
Write-offs	<u>( 76,458)</u>	<u>( 54,050)</u>	<u>-</u>	<u>( 130,508)</u>
March 31, 2026	<u>521,371</u>	<u>82,163</u>	<u>72,944</u>	<u>676,478</u>
Net book values:				
March 31, 2026	<u>333,152</u>	<u>34,407</u>	<u>22,504</u>	<u>390,063</u>
March 31, 2025	<u>468,357</u>	<u>61,451</u>	<u>25,513</u>	<u>555,321</u>
March 31, 2024	<u>608,296</u>	<u>49,914</u>	<u>41,929</u>	<u>700,139</u>

(ii) Lease liabilities

<u>2026</u>	<u>2025</u>
\$'000	\$'000

Lease liabilities are classified as follows:

Current	527,706	464,103
Non-current	<u>935,823</u>	<u>1,449,648</u>
	<u>1,463,529</u>	<u>1,913,751</u>

Maturity analysis of contractual undiscounted cash flows:

Less than one year	679,409	635,238
One to two years	676,566	640,607
Two to five years	355,890	654,283
More than five years	<u>12,835</u>	<u>353,210</u>

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****16. Leases (continued)**

## (a) (Continued)

## (iii) Amounts recognised in profit or loss

	<u>2026</u>	<u>2025</u>
	\$'000	\$'000
Interest expense on lease liabilities	196,228	208,928
Depreciation on right-of-use assets (note 29)	<u>197,849</u>	<u>196,735</u>

## (iv) Amounts recognised in statement of cash flows:

	<u>2026</u>	<u>2025</u>
	\$'000	\$'000
Lease liability principal amount	468,779	346,857
Interest paid on lease liabilities	<u>196,228</u>	<u>208,928</u>
Total cash outflow for leases	<u>665,007</u>	<u>555,785</u>

## (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 estimated potential future lease payments, should the options be exercised, would result in a lease liability of \$34,424,000 (2025: \$37,919,000).

## (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.

	<u>2026</u>	<u>2025</u>
	\$'000	\$'000
Less than one year	65,013	22,387
One to five years	<u>131,949</u>	<u>103,790</u>
Total	<u>196,962</u>	<u>126,177</u>

Rental income from investment property, during the year ended March 31, 2026 was \$12,143,000 (2025: \$32,725,000).

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****17. Due to specialised financial institutions**

	<u>2026</u> \$'000	<u>2025</u> \$'000
National Housing Trust (NHT) (i)	2,234,942	2,321,561
The National Export-Import Bank (EXIM) (ii)	65,072	189,123
Development Bank of Jamaica (DBJ) (iii)	<u>2,197,380</u>	<u>1,741,391</u>
	<u>4,497,394</u>	<u>4,252,075</u>

- (i) NHT makes arrangements with mortgage lending institutions (the Financial Partners/FPs) to originate, underwrite, fully finance, disburse and administer loans, representing the NHT contributors' housing benefit. The balances due to NHT are at interest rates of 0.0% to 2.5% (2025: 0.0% to 2.5%) per annum for periods of up to 25 years.
- (ii) The EXIM loan facility is available for on-lending to qualified Micro, Small and Medium Enterprises (MSME) for a period of forty-eight (48) months and at an interest rate of 9.25% (2025: 9.25%) per annum.
- (iii) The terms of the DBJ agreement are to offer funds for on lending to qualified sub-borrowers in the MSME sectors for eligible projects. The balances due to DBJ bears interest rates at 1.0% to 8.25% (2025: 1.0% to 8.25%) per annum for periods of 2 years (2025: 2 years).

**18. Customer deposits**

	<u>2026</u> \$'000	<u>2025</u> \$'000
Deposits	233,256,680	209,593,203
Accrued interest	<u>737,700</u>	<u>586,656</u>
	<u>233,994,380</u>	<u>210,179,859</u>

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

	<u>2026</u> \$'000	<u>2025</u> \$'000
Within 3 months (including on demand or short notice)	209,567,228	186,103,539
From 3 months to 1 year	22,611,066	22,413,582
Over 1 year	<u>1,816,086</u>	<u>1,662,738</u>
	<u>233,994,380</u>	<u>210,179,859</u>

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****18. Customer deposits (continued)**

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

	<u>Number of accounts</u>		<u>Value</u>	
	<u>2026</u>	<u>2025</u>	<u>2026</u>	<u>2025</u>
			<u>\$'000</u>	<u>\$'000</u>
Public authorities	90	91	9,655,304	4,661,681
Financial institutions	359	302	17,134,672	14,281,359
Commercial and business	11,710	10,526	22,202,072	18,650,989
Individuals	<u>1,337,388</u>	<u>1,245,702</u>	<u>185,002,332</u>	<u>172,585,830</u>
	<u>1,349,547</u>	<u>1,256,621</u>	<u>233,994,380</u>	<u>210,179,859</u>

**19. Securities sold under repurchase agreements**

	<u>2026</u>	<u>2025</u>
	<u>\$'000</u>	<u>\$'000</u>
Principal	11,484,732	28,067,795
Interest payable	<u>132,009</u>	<u>179,865</u>
	<u>11,616,741</u>	<u>28,247,660</u>

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

	<u>2026</u>	<u>2025</u>
	<u>\$'000</u>	<u>\$'000</u>
Within 3 months	10,270,663	26,094,287
From 3 months to 1 year	<u>1,214,069</u>	<u>1,973,508</u>
	<u>11,484,732</u>	<u>28,067,795</u>

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 \$17,272,790,000 (2025: \$35,041,779,000).

**20. Other payables**

	<u>2026</u>	<u>2025</u>
	<u>\$'000</u>	<u>\$'000</u>
Staff related accrual	292,147	686,157
Insurance payable	442,304	401,960
Trade payables	1,090,287	751,290
Other payables	179,773	243,946
Collected funds [see (i) below]	<u>651,395</u>	<u>867,081</u>
	<u>2,655,906</u>	<u>2,950,434</u>

(i) Collected funds include amounts collected from customers on behalf of related entities amounting to \$464,371,000 (2025: \$423,416,000) [see note 8(c)(ii)].

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****21. Employee benefits obligation**

## (a) Pension plans

The Bank provides post-retirement pension benefits, sponsored by The Jamaica National Group, 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 30).

## (b) Post-employment medical benefits

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. As part of the pensioner benefit for persons who retire in service, ex-employees are covered under the local Sagicor Health Plan. The coverage is the same as the staff plan. Employees are covered under the Group Life Insurance scheme to the extent of their annual pension. The plans for both schemes are administered by the Bank. Entry and exit into the schemes are facilitated by the Compensation and Benefits department of the Bank.

The risks are minimal and there is a process that is followed in assigning the benefits which can accrue from normal retirement, early retirement and special approval as provided by the Pension Scheme rules. The risks—such as actuarial risk, funding risk, administrative risk, and eligibility risk—are considered minimal due to clearly defined eligibility criteria, third-party insurance coverage, structured internal administration and limited financial exposure.

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:

## (i) Movement in the present value of unfunded obligations:

	<u>2026</u>	<u>2025</u>
	\$'000	\$'000
Present value of unfunded obligations and supplementary benefit at beginning of year	1,361,624	1,080,733
Benefits paid	( 20,096)	( 15,773)
Current service cost	55,915	45,229
Past service cost	-	2,650
Interest cost	117,974	112,649
Curtailment	( 43,720)	-
Actuarial (gain)/loss arising from:		
Experience adjustments	( 26,353)	( 7,883)
Demographic assumption	30,653	24,235
Financial assumptions	<u>3,783</u>	<u>119,784</u>
Balance at end of year	<u>1,479,780</u>	<u>1,361,624</u>

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****21. Employee benefits obligation (continued)**

## (b) Post-employment medical benefits (continued)

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

	<u>2026</u>	<u>2025</u>
	\$'000	\$'000
Current and past service cost	55,915	47,879
Curtailment	( 43,720)	-
Interest cost on obligation	<u>117,974</u>	<u>112,649</u>
	<u>130,169</u>	<u>160,528</u>

## (iii) Items recognised in other comprehensive income:

	<u>2026</u>	<u>2025</u>
	\$'000	\$'000
Remeasurement loss on obligation	<u>8,083</u>	<u>136,136</u>

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

	<u>2026</u>	<u>2025</u>
	%	%
Discount rate at March 31	9.5	8.5
Health cost inflation rate	6.0	5.0
Interest on contributions	<u>9.5</u>	<u>8.5</u>

## (v) 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.

	<u>2026</u>		<u>2025</u>	
	Increase %	Decrease %	Increase %	Decrease %
	\$'000	\$'000	\$'000	\$'000
Discount rate	(213,421)	328,301	(196,992)	259,591
Health inflation rate	280,131	(221,341)	266,656	(204,393)
Interest on contributions	<u>30,380</u>	<u>( 24,897)</u>	<u>33,102</u>	<u>( 27,081)</u>

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****21. Employee benefits obligation (continued)**

## (b) Post-employment medical benefits (continued)

(vi) At March 31, 2026, the weighted average duration of the defined benefit obligation was 21.95 years (2025: 21.1 years).

(vii) 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 \$31,297,000 (2025: \$39,580,000). 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.

**22. Share capital**

	<u>Number of units ('000)</u>	
	<u>2026</u>	<u>2025</u>
Authorised ordinary shares of no-par value (units)	<u>Unlimited</u>	<u>Unlimited</u>
Issued and fully paid:		
	<u>Carrying value</u>	
	<u>2026</u>	<u>2025</u>
	\$'000	\$'000
Stated capital, issued and fully paid: 4,511,000,003 (2025: 4,511,000,003) ordinary shares of no-par value	<u>11,511,000</u>	<u>11,511,000</u>

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

**23. 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.

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****24. 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 mortgage loans 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.

**25. Other reserves**

	<u>2026</u> \$'000	<u>2025</u> \$'000
Retained earnings reserve [see note 26]	7,123,000	7,123,000
Investment revaluation reserve [see (a)]	(3,367,239)	(3,922,239)
Credit loss reserve [see (b)]	1,150,677	934,018
Other	<u>16,356</u>	<u>16,356</u>
	<u>4,922,794</u>	<u>4,151,135</u>

(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 9(b)].

**26. 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, i.e. transfer to distributable retained earnings, must be approved by Bank of Jamaica.

**27. Interest expense**

	<u>2026</u> \$'000	<u>2025</u> \$'000
Customer deposits	2,340,700	2,309,449
Due to specialised financial institutions	215,446	151,663
Securities sold under repurchase agreements	1,203,157	1,320,031
Other	<u>1,778</u>	<u>32,393</u>
	<u>3,761,081</u>	<u>3,813,536</u>

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****28. Other operating income**

## (a) Fees and commission

	<u>2026</u>	<u>2025</u>
	\$'000	\$'000
<i>Income under IFRS 15 recognised over time:</i>		
Commission income	766	883
<i>Income under IFRS 15 recognised at a point in time:</i>		
Transaction fees [see (i)]	1,077,877	1,030,074
Loan fees [see (i)]	<u>1,320,752</u>	<u>866,286</u>
	<u>2,399,395</u>	<u>1,897,243</u>
 (b) Sundry income		
Management fees	116,096	223,927
<i>Other sundry income:</i>		
Realised gains on foreign exchange trading	1,667,253	1,469,205
Dividends	79,296	31,185
Rental income	132,593	142,886
Bad debt recoveries	103,918	84,484
Gain on disposal of property and equipment	106	5,985
Gain on loan modification [note 32(b)(vi)]	87,690	43,388
Other	<u>354,350</u>	<u>106,611</u>
	<u>2,541,302</u>	<u>2,107,671</u>
Total other operating income	<u>4,940,697</u>	<u>4,004,914</u>

- (i) The transaction fees and loan fees represent fees that are not directly attributable to the acquisition or origination of financial assets.

**29. Operating expenses**

	<u>2026</u>	<u>2025</u>
	\$'000	\$'000
Administrative	5,870,256	5,677,116
Advertising and promotion	219,295	350,766
Audit fees	94,710	90,200
Additional prior year audit fees	13,500	41,000
Auditors' remuneration for non-audit work	14,389	7,165
Write-off of other assets [see (a)]	707,279	379,678
Depreciation and amortisation (notes 13 and 14)	647,765	660,623
Depreciation of right-of-use-assets [note 16(a)(iii)]	197,849	196,735
Directors' fees	10,621	11,637
Directors' remuneration	63,236	38,686
Employee costs (note 30)	7,032,244	6,035,552
Management fees	1,848,058	2,115,866
Legal and other professional fees	<u>1,122,840</u>	<u>1,418,760</u>
	<u>17,842,042</u>	<u>17,023,784</u>

- (a) Other assets include other receivable and ATM write-offs.

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****30. Employee costs**

	<u>2026</u> \$'000	<u>2025</u> \$'000
Salaries	5,389,242	4,323,208
Pension, group life and health contributions	559,410	491,004
Statutory payroll contributions	665,431	542,651
Staff welfare	371,744	363,630
Other	<u>46,417</u>	<u>315,059</u>
	<u>7,032,244</u>	<u>6,035,552</u>

**31. Taxation**

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

	<u>2026</u> \$'000	<u>2025</u> \$'000
(i) Current tax expense:		
Income tax	<u>752,047</u>	<u>142,747</u>
(ii) Deferred taxation (note 15):		
Origination and reversal of temporary differences	<u>83,875</u>	<u>375</u>
Total taxation in statement of profit or loss	<u>835,922</u>	<u>143,122</u>

- (b) Taxation is computed at a rate of 33 $\frac{1}{3}$ % of taxable profit except on dividends received, which is at 15%. The effective tax rate for the year was 36.50% (2025: 24.59%). The actual charge differs from the "expected" tax charge for the year as follows:

	<u>2026</u> \$'000	<u>2025</u> \$'000
Profit before taxation	<u>2,290,196</u>	<u>581,934</u>
Computed "expected" tax charge at 15%	8,752	4,238
Computed "expected" tax charge at 33 $\frac{1}{3}$ %	<u>763,399</u>	<u>193,978</u>
Total "expected" tax charge	772,151	198,216
Tax effect of difference between profit for financial statements and tax reporting purposes on -		
Depreciation charge and capital allowances	( 33,671)	122,250
Gain on disposal of property and equipment	( 36)	( 14,828)
Unfranked and exempt income	( 103,207)	( 99,928)
Disallowed expenses, net	122,748	( 40,972)
Tax losses carried forward	<u>77,937</u>	<u>( 21,616)</u>
Actual tax charge	<u>835,922</u>	<u>143,122</u>

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****31. Taxation (continued)**

- (c) At March 31, 2026, taxation losses, subject to agreement by the Commissioner General, Tax Administration Jamaica, available for set-off against future taxable profits, amounted to approximately \$10,691,000 (2025: \$255,192,000). Tax losses may be carried forward indefinitely. However, the amount that can be utilised is restricted to 50% of chargeable income in any one year.

**32. Financial risk management**

- (a) Overview

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

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

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

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 Asset and Liability Committee (ALCO) and the Audit Committee are responsible for developing and monitoring risk management policies in their specified areas. The Audit Committee has three (3) non-executive members and reports to the Board of Directors on its 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.

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****32. Financial risk management (continued)****(a) Overview (continued)**

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

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 risk arising from investments in debt securities and other exposures arising from derivatives and reverse repurchase agreements.

Credit risk is the single largest risk for the Bank's business. Management, therefore, carefully manages its exposure to credit risk through formulating appropriate credit policies, establishing an authorisation structure, reviewing and assessing credit risks that the Bank is exposed to, limiting concentrations of exposures in line with credit policies and developing and maintaining the ECL processes. 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 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.

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, the associated loss ratios and default correlations between counterparties. The Bank measures credit risk using Probability Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****32. Financial risk management (continued)**

- (b) Credit risk (continued):

**Credit risk measurement (continued)**

- (i) Loans (including commitments, guarantees and other receivables) (continued):

## Credit risk grading

The Bank uses internal credit risk gradings that reflect its assessment of the creditworthiness 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 enables 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.

- (ii) Cash and cash equivalents

Cash and cash equivalents are held with reputable, regulated financial institutions as assessed by the company's Asset and Liability Committee (ALCO) and are deemed as low-risk. Collateral is not required for such accounts as management regards these institutions as strong, based on external credit ratings and detailed internal creditworthiness assessment.

- (iii) 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 twenty (20) rating levels for instruments not in default (1 to 20) and three (3) 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 light of all observed defaults.

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****32. Financial risk management (continued)**

(b) Credit risk (continued):

**Credit risk measurement (continued)**

(iii) Investments (continued)

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 - 10	0.02% - 0.22%	0.00% - 0.06%	AAA – BBB-	Aaa – Baa3	Investment Grade
11 - 20	1.08% - 28.1	0.39% - 14.93%	BB+ - CC	Ba1 - Ca	Speculative grade
21 - 23	28.2% - 100%	14.94% - 100.00%	C - SD	C to D	Default

**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:

← 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.

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****32. Financial risk management (continued)**

(b) Credit risk (continued):

**Expected credit loss measurement (continued)**

A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information. Note 32(a) includes an explanation of how the Bank has incorporated this in its ECL models.

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:

- Over 30 days past due
- Actual or pending loss of employment
- Change in debt obligations (TDSR)
- Emerging threat to industry of employment
- Financial difficulties/forbearance
- Fraud/incarceration
- Health issues
- Inability to sustain cash flow
- Reduction in primary income
- Increase in financial obligation.

**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.

**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 is two notches.

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****32. Financial risk management (continued)**

(b) Credit risk (continued):

**Expected credit loss measurement (continued)****(i) Significant increase in credit risk (SICR) (continued)**

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 reduction in collateral values;
- Early signs of cashflow/liquidity problems such as delay in servicing of trade creditors/loans.

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

**Backstop:**

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, 2026, based on historical loss experience and the counterparties' capacity to meet contractual cash flow obligations in the short term.

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****32. Financial risk management (continued)**

(b) Credit risk (continued):

**Expected credit loss measurement (continued)****(ii) Definition of default and credit-impaired assets**

The Bank defines a financial instrument as in default (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) Indication that the borrower is in significant financial difficulty. These are instances where:
  - The borrower is in long-term forbearance;
  - 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 probable that the borrower will enter bankruptcy;
  - Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

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.

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.
- 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 (Continued)**  
**March 31, 2026****32. Financial risk management (continued)**

(b) Credit risk (continued):

**Expected credit loss measurement (continued)****(iii) Measuring ECL – Explanation of inputs, assumptions and estimation techniques**

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 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.

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.

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****32. Financial risk management (continued)**

(b) Credit risk (continued):

**Expected credit loss measurement (continued)****(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.

**Economic variable assumptions**

The most significant period-end assumptions used for the ECL estimate as at March 31, 2026 are set out below. The scenarios “base”, “upside” and “downside” were determined by the Bank’s Data and Analytics team on a quarterly basis and used for all portfolios.

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

**The weightings assigned to each economic scenario were as follows:**

	<b>Base</b>	<b>Upside</b>	<b>Downside</b>
	<u>2026</u>		
Loans	50%	10%	40%
Investments	55%	35%	10%
	<u>2025</u>		
Loans	45%	35%	20%
Investments	65%	15%	20%

In incorporating the forward-looking information (FLI), the Bank assessed the correlation and regression of the following economic variables against its annual non-performing loan (NPL) ratios for the period 2010-2030:

- Real GDP
- Unemployed rate
- Interest rate
- Inflation rate

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****32. Financial risk management (continued)**

(b) Credit risk (continued):

**Expected credit loss measurement (continued)****(iv) Forward-looking information incorporated in the ECL models (continued)**

Annual projections of these variables were incorporated for the period 2025-2030. Utilizing an Auto Regressive Distributed Lag model, showed that there exists a stable equilibrium relationship between the dependent variable and the macro-economic independent variables. All the independent variables were statistically significant at the 10% level. Regression analyses were performed under the different scenarios of base, best and worst cases in the Vasicek Model to determine the standardized Z Scores.

Probability Weighted Scenarios						
Base Case						
Macro Variables	Z score (standardized)	Z score	Sector DR	Weighting	Z score Weighted	
Real GDP	-0.156	-0.344	3.972%	10.8%	-0.037	
Unemployment rate	0.163	-0.215	3.550%	46.3%	-0.100	
Inflation rate	-1.186	-0.761	5.612%	27.8%	-0.212	
Interest rate	-0.247	-0.381	4.098%	15.0%	-0.057	
						<b>-0.40582</b>
Best Case						
Macro Variables	Z score (standardized)	Z score	Sector DR	Weighting	Z score Weighted	
Real GDP	0.260	-0.176	3.430%	10.8%	-0.019	
Unemployment rate	0.960	0.108	2.657%	46.3%	0.050	
Inflation rate	0.685	-0.004	2.941%	27.8%	-0.001	
Interest rate	0.441	-0.103	3.215%	15.0%	-0.015	
						<b>0.01434</b>
Worst Case						
Macro Variables	Z score (standardized)	Z score	Sector DR	Weighting	Z score Weighted	
Real GDP	-0.754	-0.586	4.868%	10.8%	-0.063	
Unemployment rate	-1.162	-0.751	5.568%	46.3%	-0.348	
Inflation rate	-1.186	-0.761	5.612%	27.8%	-0.212	
Interest rate	-0.247	-0.381	4.098%	15.0%	-0.057	
						<b>-0.68040</b>

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

For expected credit loss allowances 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 with similar characteristics. These groupings are detailed below:

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

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****32. Financial risk management (continued)**

(b) Credit risk (continued):

**Expected credit loss measurement (continued)****(v) Grouping of instruments for losses measured on a collective basis (continued)**

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 beyond set limits; 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 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 conducted 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.

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****32. Financial risk management (continued)**

(b) Credit risk (continued):

**Expected credit loss measurement (continued)****(vi) Management of credit risk (continued)***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 the same category irrespective of satisfactory performance after restructuring. At March 31, 2026, the outstanding principal balances on loans that were restructured amounted to \$8.76 billion (2025: \$4.03 billion).

Summary information on these loans is as follows:

	<u>2026</u> \$'000	<u>2025</u> \$'000
Amortised cost before modification	5,235,145	2,869,026
Net modification gain [note 28(b)]	87,690	43,388
Loss allowance changed to an amount equal to 12-month ECL	<u>31,536</u>	<u>17,053</u>

*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.

*Write-off policy*

The Bank writes off credits to borrowers (and any related allowances for impairment losses) when it determines that the balances are uncollectable in the normal course of business. Recovery of the debt is still pursued following write-off, but where it is determined that these efforts should be discontinued, the approval of the Credit Committee or the Board of Directors is required, in keeping with the Bank's prescribed approval hierarchy.

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****32. Financial risk management (continued)**

(b) Credit risk (continued):

**Expected credit loss measurement (continued)****(vi) Management of credit risk (continued)***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 cash resources, securities purchased under resale agreements, investment securities, due from related entities, loans, and other financial assets. 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, by geographic area was as follows:

	<u>2026</u> \$'000	<u>2025</u> \$'000
Jamaica	248,159,158	240,833,192
United States of America	9,581,193	9,158,565
United Kingdom	10,615,871	9,566,653
Cayman Islands	817,342	1,117,180
Canada	<u>2,288,155</u>	<u>1,977,222</u>
	<u>271,461,719</u>	<u>262,652,812</u>

*Credit quality of loans*

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

	<u>2026</u> \$'000	<u>2025</u> \$'000
Neither past due nor impaired	142,937,735	134,351,211
Past due but not impaired:		
Below 31 days	14,362,868	12,325,612
31 to 60 days	3,892,419	4,732,536
61 to 90 days	1,547,688	1,572,471
Individually impaired:		
90-179 days	1,751,135	1,376,486
180-364 days	1,191,600	1,455,562
12-18 months	906,409	737,888
Over 18 months	<u>1,783,650</u>	<u>945,318</u>
	168,373,504	157,497,084
Less: Allowance for losses [note 9(b)]	<u>( 2,979,628)</u>	<u>( 2,655,100)</u>
	<u>165,393,876</u>	<u>154,841,984</u>

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****32. Financial risk management (continued)**

(b) Credit risk (continued):

**Expected credit loss measurement (continued)****(vi) Management of credit risk (continued)***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, including off-balance sheet assets and unused credit limits, without taking account of the value of any collateral held.

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

		<b>Loans</b>			
		2026			
	<u>12-month PD ranges</u>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
		\$'000	\$'000	\$'000	\$'000
Standard monitoring	0%-4.45%	150,857,744	-	-	150,857,744
Special monitoring	4.46%-99.99%	-	18,701,124	-	18,701,124
Default	100%	-	-	6,041,979	6,041,979
Gross carrying amount		150,857,744	18,701,124	6,041,979	175,600,847
Impairment allowance [note 9(b)]		( 998,561)	( 202,574)	(1,778,493)	( 2,979,628)
Net carrying amount		<u>149,859,183</u>	<u>18,498,550</u>	<u>4,263,486</u>	<u>172,621,219</u>
<b>Ageing of loans receivable</b>					
Current		131,092,702	11,501,745	343,288	142,937,735
Past due 1-30 days		12,649,857	1,707,816	5,195	14,362,868
Past due 31-60 days		153	3,883,832	8,434	3,892,419
Past due 61-89 days		37	1,532,829	14,822	1,547,688
90 days and over		-	352	5,632,442	5,632,794
Gross carrying amount		143,742,749	18,626,574	6,004,181	168,373,504
Impairment allowance		( 964,703)	( 193,239)	(1,770,441)	( 2,928,383)
		142,778,046	18,433,335	4,233,740	165,445,121
Loan and credit commitments		7,114,995	74,550	37,798	7,227,343
Impairment allowance		( 33,858)	( 9,335)	( 8,052)	( 51,245)
Net carrying amount		<u>149,859,183</u>	<u>18,498,550</u>	<u>4,263,486</u>	<u>172,621,219</u>

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****32. Financial risk management (continued)**

(b) Credit risk (continued):

**Expected credit loss measurement (continued)****(vi) Management of credit risk (continued)***Exposure to credit risk (continued)*

		<b>Loans</b>			
		2025			
	12-month PD ranges	Stage 1 \$'000	Stage 2 \$'000	Stage 3 \$'000	Total \$'000
<b>Credit grade</b>					
Standard monitoring	0%-5.41%	142,534,671	-	-	142,534,671
Special monitoring	5.41%-99.99%	-	20,044,050	-	20,044,050
Default	100%	-	-	4,773,640	4,773,640
Gross carrying amount		142,534,671	20,044,050	4,773,640	167,352,361
Impairment allowance (note 9)		( 1,312,319)	( 258,929)	(1,083,852)	( 2,655,100)
Net carrying amount		<u>141,222,352</u>	<u>19,785,121</u>	<u>3,689,788</u>	<u>164,697,261</u>
<b>Ageing of loans receivable</b>					
Current		122,034,007	12,228,118	89,086	134,351,211
Past due 1-30 days		10,754,477	1,538,786	32,348	12,325,611
Past due 31-60 days		-	4,694,504	38,033	4,732,537
Past due 61-89 days		-	1,510,670	61,801	1,572,471
90 days and over		-	-	4,515,254	4,515,254
Gross carrying amount		132,788,484	19,972,078	4,736,522	157,497,084
Impairment allowance		( 1,275,018)	( 251,507)	(1,083,852)	( 2,610,377)
		131,513,466	19,720,571	3,652,670	154,886,707
Loan and credit commitments		9,746,187	71,972	37,118	9,855,277
Impairment loss allowance		( 37,301)	( 7,422)	-	( 44,723)
Net carrying amount		<u>141,222,352</u>	<u>19,785,121</u>	<u>3,689,788</u>	<u>164,697,261</u>

Information on how the expected credit loss (ECL) is measured and how the three stages above are determined is included in note 32(b)(iii).

*Collateral and other credit enhancements held against financial assets*

JN Bank's secured lending portfolio is primarily in the following forms of collateral:

- Mortgages over real estate properties
- Liens on motor vehicles
- Debenture charges over fixed and floating assets
- Cash and cash equivalents

While real estate collateral generally demonstrates long-term value stability, the Bank recognizes that localized physical, environmental, and socio-economic factors within Jamaica may adversely affect specific properties and exposures. Accordingly, a prudent and forward-looking approach is applied in assessing collateral values.

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****32. Financial risk management (continued)**

(b) Credit risk (continued):

**Expected credit loss measurement (continued)****(vi) Management of credit risk (continued)**

To ensure compliance with applicable accounting standards and regulatory requirements, and to maintain a robust risk management framework, the Bank adopts the following measures in determining provisioning levels for mortgage and other non-cash collateral:

- **Application of Haircuts**

Conservative haircuts are applied to all collateral market values to account for potential volatility and liquidation risk when calculating provisions.

- **Ongoing Collateral Monitoring**

Collateral values are actively monitored, and updated valuations are obtained where there are indicators of impairment affecting a specific asset.

- **Non-Performing Facilities**

Updated valuations are typically required for mortgage facilities classified as non-performing to ensure provisioning reflects current realizable values.

- **Impaired but Performing Loans**

Mortgage exposures that are not in default but are otherwise classified as impaired are also subject to reassessment and updated valuation where necessary.

- **Motor Vehicle Collateral**

A structured internal model is utilized to systematically depreciate motor vehicle collateral on an annual basis for the purpose of provisioning on auto loans.

- **Debenture-Secured Facilities**

Business and commercial loans secured by debenture charges are subject to at least annual review to confirm that the underlying assets remain valid, enforceable, and unimpaired.

This framework ensures that collateral values are assessed in a prudent, consistent, and forward-looking manner, thereby supporting accurate provisioning and reinforcing the Bank's overall credit risk management practices.

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****32. 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	
	2026 \$'000	2025 \$'000	2026 \$'000	2025 \$'000
Against neither past due nor impaired financial assets:				
Properties	163,835,903	133,961,252	-	-
Debt securities	-	-	5,143,423	3,458,205
Liens on motor vehicles	15,472,661	7,394,538	-	-
Hypothecation of deposits	<u>3,268,282</u>	<u>2,290,469</u>	-	-
Subtotal	<u>182,576,846</u>	<u>143,646,259</u>	<u>5,143,423</u>	<u>3,458,205</u>
Against past due but not impaired financial assets:				
Properties	28,841,510	25,334,909	-	-
Hypothecation of deposits	584,196	368,699	-	-
Liens on motor vehicles	<u>1,708,013</u>	<u>839,843</u>	-	-
Subtotal	<u>31,133,719</u>	<u>26,543,451</u>	-	-
	<u>213,710,565</u>	<u>170,189,710</u>	<u>5,143,423</u>	<u>3,458,205</u>
Against past due and impaired financial assets:				
Properties	7,196,292	8,087,505	-	-
Hypothecation of deposits	1,508	601	-	-
Liens on motor vehicles	<u>410,790</u>	<u>317,260</u>	-	-
Subtotal	<u>7,608,590</u>	<u>8,405,366</u>	-	-
Grand total	<u>221,319,155</u>	<u>178,595,076</u>	<u>5,143,423</u>	<u>3,458,205</u>

The Bank obtains 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 (Continued)**  
**March 31, 2026****32. 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:

	<b>2026</b>			
	<b>Gross exposure</b>	<b>Impairment allowance</b>	<b>Carrying amount</b>	<b>Fair value of collateral held</b>
	\$'000	\$'000	\$'000	\$'000
<b>Credit-impaired assets</b>				
Loans				
- Credit cards	175,672	( 104,823)	70,849	-
- Term loans	2,551,323	(1,448,227)	1,103,096	410,790
- Mortgages	3,193,456	( 152,556)	3,040,900	7,197,800
- Other	121,528	( 72,887)	48,641	-
<b>Total credit-impaired assets</b>	<b>6,041,979</b>	<b>(1,778,493)</b>	<b>4,263,486</b>	<b>7,608,590</b>
	<b>2025</b>			
	<b>Gross exposure</b>	<b>Impairment allowance</b>	<b>Carrying amount</b>	<b>Fair value of collateral held</b>
	\$'000	\$'000	\$'000	\$'000
<b>Credit-impaired assets</b>				
Loans				
- Credit cards	176,301	( 98,671)	77,630	-
- Term loans	1,692,993	( 891,794)	801,199	317,260
- Mortgages	2,823,909	( 45,858)	2,778,051	8,088,106
- Other	80,437	( 47,529)	32,908	-
<b>Total credit-impaired assets</b>	<b>4,773,640</b>	<b>(1,083,852)</b>	<b>3,689,788</b>	<b>8,405,366</b>

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****32. 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:

	<u>2026</u>	<u>2025</u>
	\$'000	\$'000
Loans [note 9(b)]	342,649	642,390
Investment securities – at FVOCI	( 53,720)	10,842
Investment securities – at amortized cost	<u>( 4,224)</u>	<u>568</u>
	<u>284,705</u>	<u>653,800</u>

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

	<u>2026</u>				<u>Total</u>
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Purchased</u>	
Loans	<u>12-month ECL</u>	<u>Lifetime ECL</u>	<u>Lifetime ECL</u>	<u>credit-impaired</u>	<u>\$'000</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
<b>Loss allowance as at beginning of year</b>	<u>1,312,317</u>	<u>258,930</u>	<u>1,056,687</u>	<u>27,166</u>	<u>2,655,100</u>
<b>Movements with P&amp;L impact</b>					
Transfers:					
Transfer from Stage 1 to Stage 2	( 35,572)	35,572	-	-	-
Transfer from Stage 1 to Stage 3	( 53,727)	-	53,727	-	-
Transfer from Stage 2 to Stage 3	-	( 40,759)	40,759	-	-
Transfer from Stage 3 to Stage 2	-	30,327	( 30,327)	-	-
Transfer from Stage 3 to Stage 1	18,505	-	( 18,505)	-	-
Transfer from Stage 2 to Stage 1	46,121	( 46,121)	-	-	-
New financial assets originated or purchased	423,090	-	-	-	423,090
Financial assets derecognized during the year	( 216,261)	( 37,765)	( 180,026)	( 2,312)	( 436,364)
Net remeasurement of loss allowance	<u>( 495,956)</u>	<u>2,112</u>	<u>815,661</u>	<u>34,106</u>	<u>355,923</u>
Loss allowance recognized in profit or loss [note 9(b)]	( 313,800)	( 56,634)	681,289	31,794	342,649
Write-offs against provision [note 9(b)]	<u>44</u>	<u>278</u>	<u>( 12,847)</u>	<u>( 5,596)</u>	<u>( 18,121)</u>
<b>Loss allowance as at end of year</b>	<u>998,561</u>	<u>202,574</u>	<u>1,725,129</u>	<u>53,364</u>	<u>2,979,628</u>

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****32. Financial risk management (continued)**

(b) Credit risk (continued):

**Expected credit loss measurement (continued)****(vi) Management of credit risk (continued)***Loss allowance (continued)*

	2025				Total \$'000
	Stage 1	Stage 2	Stage 3	Purchased	
	12-month ECL \$'000	Lifetime ECL \$'000	Lifetime ECL \$'000	credit- impaired \$'000	
<b>Loans</b>					
<b>Loss allowance as at beginning of year</b>	1,219,347	219,740	601,229	30,114	2,070,430
<b>Movements with P&amp;L impact</b>					
Transfers:					
Transfer from Stage 1 to Stage 2	( 39,465)	39,465	-	-	-
Transfer from Stage 1 to Stage 3	( 38,225)	-	38,225	-	-
Transfer from Stage 2 to Stage 1	45,000	( 45,000)	-	-	-
Transfer from Stage 2 to Stage 3	-	( 39,509)	39,509	-	-
Transfer from Stage 3 to Stage 2	-	24,510	( 24,510)	-	-
Transfer from Stage 3 to Stage 1	8,457	-	( 8,457)	-	-
New financial assets originated or purchased	537,909	-	-	-	537,909
Financial assets derecognized during the year	( 316,815)	( 45,206)	( 155,614)	( 9,690)	( 527,325)
Net remeasurement of loss allowance	( 103,845)	105,179	623,730	6,742	631,806
Loss allowance recognized in profit or loss [note 9(b)]	93,016	39,439	512,883	( 2,948)	642,390
Write-offs against provision [note 9(b)]	( 46)	( 249)	( 57,425)	-	( 57,720)
<b>Loss allowance as at end of year</b>	<u>1,312,317</u>	<u>258,930</u>	<u>1,056,687</u>	<u>27,166</u>	<u>2,655,100</u>

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****32. 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:

	2026				Total \$'000
	Stage 1	Stage 2	Stage 3	Purchased	
	12-month ECL \$'000	Lifetime ECL \$'000	Lifetime ECL \$'000	credit- impaired \$'000	
<b>Loans</b>					
Gross carrying amount as at beginning of year	<u>142,534,672</u>	<u>20,044,049</u>	<u>4,667,863</u>	<u>105,777</u>	<u>167,352,361</u>
Transfers:					
Transfer from Stage 1 to Stage 2	( 3,406,600)	3,406,600	-	-	-
Transfer from Stage 1 to Stage 3	( 1,460,421)	-	1,460,421	-	-
Transfer from Stage 2 to Stage 3	-	( 1,581,844)	1,581,844	-	-
Transfer from Stage 3 to Stage 2	-	482,463	( 482,463)	-	-
Transfer from Stage 3 to Stage 1	107,520	-	( 107,520)	-	-
Transfer from Stage 2 to Stage 1	2,499,843	( 2,499,843)	-	-	-
New financial assets originated or purchased	38,072,222	-	-	-	38,072,222
Financial assets derecognized during the period other than write-offs	( 17,724,042)	( 1,145,437)	( 388,927)	( 8,008)	( 19,266,414)
Net remeasurement of gross balance	( 9,764,635)	( 570)	( 165,357)	( 2,346)	( 9,932,908)
Write-offs	8,323,887	( 1,338,631)	1,897,998	( 10,354)	8,872,900
	( 815)	( 4,294)	( 613,709)	( 5,596)	( 624,414)
<b>Gross carrying amount as at end of year</b>	<u>150,857,744</u>	<u>18,701,124</u>	<u>5,952,152</u>	<u>89,827</u>	<u>175,600,847</u>

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****32. Financial risk management (continued)**

(b) Credit risk (continued):

**Expected credit loss measurement (continued)****(vi) Management of credit risk (continued)***Loss allowance (continued)*

Loans	2025			Purchased credit- impaired	Total
	Stage 1	Stage 2	Stage 3		
	12-month ECL \$'000	Lifetime ECL \$'000	Lifetime ECL \$'000		
Gross carrying amount as at beginning of year	<u>144,338,458</u>	<u>16,595,585</u>	<u>3,572,556</u>	<u>148,397</u>	<u>164,654,996</u>
Transfers:					
Transfer from Stage 1 to Stage 2	( 7,923,436)	7,923,436	-	-	-
Transfer from Stage 1 to Stage 3	( 1,443,896)	-	1,443,896	-	-
Transfer from Stage 2 to Stage 3	-	( 1,371,617)	1,371,617	-	-
Transfer from Stage 3 to Stage 2	-	769,976	( 769,976)	-	-
Transfer from Stage 3 to Stage 1	44,388	-	( 44,388)	-	-
Transfer from Stage 2 to Stage 1	3,016,380	( 3,016,380)	-	-	-
New financial assets originated or purchased	37,793,197	-	-	-	37,793,197
Financial assets derecognized during the period other than write-offs	( 25,760,235)	( 800,664)	( 541,829)	( 40,707)	( 27,143,435)
Net remeasurement of gross balance	( 7,526,411)	( 42,635)	( 105,218)	( 1,913)	( 7,676,177)
Write-offs	( 1,800,013)	3,462,116	1,354,102	( 42,620)	2,973,585
	( 3,773)	( 13,652)	( 258,795)	-	( 276,220)
<b>Gross carrying amount as at end of year</b>	<u>142,534,672</u>	<u>20,044,049</u>	<u>4,667,863</u>	<u>105,777</u>	<u>167,352,361</u>

The total amount of undiscounted expected credit losses at initial recognition for purchased or originated credit-impaired financial assets recognised during the period was \$53,364,000 (2025: \$27,166,000).

**Investments**

	Stage 1 ECL	
	2026 \$'000	2025 \$'000
Balances at April 1	<u>85,572</u>	<u>74,162</u>
New financial assets originated or purchased	1,032	11,410
Financial assets derecognised during the period other than write-offs	(58,976)	-
Loss allowance recognised in profit or loss	(57,944)	11,410
Balances at March 31	<u>27,628</u>	<u>85,572</u>

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****32. Financial risk management (continued)**

(b) Credit risk (continued):

**Expected credit loss measurement (continued)****(vi) Management of credit risk (continued)***Loss allowance (continued)***Investments (continued)**

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:

	2026				
	Amortised cost		Carried at FVOCI	TOTAL	
	Investments \$000	Reverse Repos \$000	Investments \$000	Investments \$000	Reverse Repos \$000
Investment grade	-	-	14,559,162	14,559,162	-
Speculative grade	<u>7,503,087</u>	<u>4,156,640</u>	<u>43,607,687</u>	<u>51,110,774</u>	<u>4,156,640</u>
	<u>7,503,087</u>	<u>4,156,640</u>	<u>58,166,849</u>	<u>65,669,936</u>	<u>4,156,640</u>
ECL allowance at year end	<u>220</u>	<u>9</u>	<u>27,399</u>	<u>27,619</u>	<u>9</u>
	2025				
	Amortised cost		Carried at FVOCI	TOTAL	
	Investments \$000	Reverse Repos \$000	Investments \$000	Investments \$000	Reverse Repos \$000
Investment grade	-	-	19,538,219	19,538,219	-
Speculative grade	<u>3,083,069</u>	<u>2,796,814</u>	<u>39,862,509</u>	<u>42,945,578</u>	<u>2,796,814</u>
	<u>3,083,069</u>	<u>2,796,814</u>	<u>59,400,728</u>	<u>62,483,797</u>	<u>2,796,814</u>
ECL allowance at year end	<u>4,444</u>	<u>19</u>	<u>81,109</u>	<u>85,553</u>	<u>19</u>

Speculative grade includes Government of Jamaica Securities of \$42,445,745,000 (2025: \$43,942,122,000 ) (see note 7).

(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

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****32. Financial risk management (continued)**

## (c) Liquidity risk (continued)

Liquidity risk is broken down into two primary categories (continued):

- (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.

**Management of liquidity risk**

The key measurement used for assessing liquidity risk is the ratio of liquid assets to total prescribed liabilities (as prescribed by the Bank of Jamaica Act, sections 28 and 29). The liquidity ratios at the reporting date for the Bank are as follows:

	Minimum requirement		Actual	
	2026 %	2025 %	2026 %	2025 %
Jamaica Dollar	6	6	18	17
United States of America Dollar	14	14	21	24
Canadian Dollar	14	14	91	87
Pound Sterling	<u>14</u>	<u>14</u>	<u>54</u>	<u>63</u>

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. Therefore, the gap identified in the table below under the 'less than 3 months' category is not deemed to present a liquidity issue for the Bank.

	2026						
	Contractual undiscounted cash flows presented by remaining contractual maturity						
Carrying amount \$'000	Gross 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	
<b>Financial Assets</b>							
Cash resources	30,525,964	30,525,964	10,628,585	19,897,379	-	-	
Securities purchased under resale agreements	4,219,335	4,503,718	-	4,503,718	-	-	
Investments	66,467,563	69,514,133	15,539,944	3,766,600	4,838,661	13,649,320	
Due from related entities	888,435	888,435	888,435	-	-	-	
Loans, after allowance for impairment losses	165,393,876	180,101,521	6,805,306	4,458,202	13,604,773	32,893,959	
Other assets	<u>1,558,844</u>	<u>1,558,844</u>	<u>1,558,844</u>	-	-	-	
Total financial assets	<u>269,054,017</u>	<u>287,092,615</u>	<u>35,421,114</u>	<u>32,625,899</u>	<u>18,443,434</u>	<u>46,543,279</u>	<u>154,058,889</u>
<b>Financial Liabilities</b>							
Due to specialised financial institutions	4,497,394	4,498,336	22,375	64,303	85,737	257,048	
Customer deposits	233,994,380	236,615,116	211,914,381	22,864,310	833,291	988,102	
Due to related entities	246,174	246,174	246,174	-	-	-	
Securities sold under repurchase agreements	11,616,741	12,162,331	10,876,632	1,285,699	-	-	
Other payables	2,655,906	2,655,906	2,655,906	-	-	-	
Lease liabilities	<u>1,463,529</u>	<u>1,724,700</u>	-	<u>679,409</u>	<u>676,566</u>	<u>355,890</u>	<u>12,835</u>
Total financial liabilities	254,474,124	257,902,563	225,715,468	24,893,721	1,595,594	1,601,040	
Loan and other commitments and guarantees	-	<u>13,759,284</u>	<u>13,759,284</u>	-	-	-	-
	<u>254,474,124</u>	<u>271,661,847</u>	<u>239,474,752</u>	<u>24,893,721</u>	<u>1,595,594</u>	<u>1,601,040</u>	<u>4,096,740</u>
Total liquidity gap	<u>14,579,893</u>	<u>15,430,768</u>	<u>(204,053,638)</u>	<u>7,732,178</u>	<u>16,847,840</u>	<u>44,942,239</u>	<u>149,962,149</u>
Cumulative gap			<u>(204,053,638)</u>	<u>(196,321,460)</u>	<u>(179,473,620)</u>	<u>(134,531,381)</u>	<u>15,430,768</u>

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****32. Financial risk management (continued)**

(c) Liquidity risk (continued):

**Management of liquidity risk (continued)**

	2025						More than 5 years \$'000
	Contractual undiscounted cash flows presented by remaining contractual maturity						
	Carrying amount \$'000	Gross total cash outflow \$'000	Less than 3 months \$'000	3-12 months \$'000	1-2 years \$'000	2-5 years \$'000	
<b>Financial Assets</b>							
Cash resources	37,143,299	37,143,299	19,346,987	17,796,312	-	-	-
Securities purchased under resale agreements	2,828,081	2,985,319	-	2,985,319	-	-	-
Investments	63,206,216	66,082,850	7,880,846	3,787,921	6,796,349	11,941,627	35,676,107
Due from related entities	1,459,617	1,459,617	1,459,617	-	-	-	-
Loans, after allowance for impairment losses	154,841,984	168,210,587	8,930,140	9,931,823	7,790,780	35,323,506	106,234,338
Other assets	<u>1,041,287</u>	<u>1,041,287</u>	<u>1,041,287</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total financial assets	<u>260,520,484</u>	<u>276,922,959</u>	<u>38,658,877</u>	<u>34,501,375</u>	<u>14,587,129</u>	<u>47,265,133</u>	<u>141,910,445</u>
<b>Financial Liabilities</b>							
Due to specialised financial institutions	4,252,075	4,492,452	22,375	64,303	85,737	257,048	4,062,989
Customer deposits	210,179,859	212,702,018	188,336,781	22,682,545	742,028	931,673	8,991
Due to related entities	290,530	290,530	290,530	-	-	-	-
Securities sold under repurchase agreements	28,247,660	29,723,795	27,633,850	2,089,945	-	-	-
Other payables	2,950,434	2,950,434	2,950,434	-	-	-	-
Lease liabilities	<u>1,913,751</u>	<u>2,283,338</u>	<u>-</u>	<u>635,238</u>	<u>640,607</u>	<u>654,283</u>	<u>353,210</u>
Total financial liabilities	247,834,309	252,442,567	219,233,970	25,472,031	1,468,372	1,843,004	4,425,190
Loan and other commitments and guarantees	-	<u>13,576,550</u>	<u>13,576,550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>247,834,309</u>	<u>266,019,117</u>	<u>232,810,520</u>	<u>25,472,031</u>	<u>1,468,372</u>	<u>1,843,004</u>	<u>4,425,190</u>
Total liquidity gap	<u>12,686,175</u>	<u>10,903,842</u>	<u>(194,151,643)</u>	<u>9,029,344</u>	<u>13,118,757</u>	<u>45,422,129</u>	<u>137,485,255</u>
Cumulative gap			<u>(194,151,643)</u>	<u>(185,122,299)</u>	<u>(172,003,542)</u>	<u>(126,581,413)</u>	<u>10,903,842</u>

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 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. The liquidity risk reviews are submitted to the bank's Asset and Liability Committee and to the Board of Directors.

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****32. 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 (Continued)**  
**March 31, 2026****32. Financial risk management (continued)**

(d) Market risk (continued):

**Management of market risk (continued)**

(i) Interest rate risk (continued):

	2026					Weighted average interest rate %
	Within 3 months \$'000	Three to 12 months \$'000	Over 1 year \$'000	Non-rate sensitive \$'000	Total \$'000	
<b>Financial Assets</b>						
Cash resources	10,628,585	-	-	19,897,379	30,525,964	0.04
Securities purchased under resale agreements	1,901,055	2,255,585	-	62,695	4,219,335	3.50
Investments	14,083,323	3,556,416	47,405,900	1,421,924	66,467,563	5.87
Due from related entities	-	-	-	888,435	888,435	-
Loans	6,214,891	4,071,417	154,189,968	917,600	165,393,876	9.73
Other assets	-	-	-	1,558,844	1,558,844	-
Total financial assets	<u>32,827,854</u>	<u>9,883,418</u>	<u>201,595,868</u>	<u>24,746,877</u>	<u>269,054,017</u>	
<b>Financial Liabilities</b>						
Due to specialised financial institutions	21,434	64,303	85,737	4,325,920	4,497,394	4.39
Customer deposits	208,829,528	22,611,066	1,816,086	737,700	233,994,380	0.83
Due to related entities	-	-	-	246,174	246,174	-
Securities sold under- repurchase agreements	10,270,663	1,214,069	-	132,009	11,616,741	5.28
Other payables	-	-	-	2,655,906	2,655,906	-
Lease liabilities	679,409	676,566	94,719	12,835	1,463,529	9.43
Total financial liabilities	<u>219,801,034</u>	<u>24,566,004</u>	<u>1,996,542</u>	<u>8,110,544</u>	<u>254,474,124</u>	
Total interest rate sensitivity gap	<u>(186,973,180)</u>	<u>(14,682,586)</u>	<u>199,599,326</u>	<u>16,636,333</u>	<u>14,579,893</u>	
Cumulative gap	<u>(186,973,180)</u>	<u>(201,655,766)</u>	<u>(2,056,440)</u>	<u>14,579,893</u>		
	2025					
	Within 3 months \$'000	Three to 12 months \$'000	Over 1 year \$'000	Non-rate sensitive \$'000	Total \$'000	Weighted average interest rate %
<b>Financial Assets</b>						
Cash resources	19,346,987	-	-	17,796,312	37,143,299	0.02
Securities purchased under resale agreements	-	2,796,814	-	31,267	2,828,081	6.74
Investments	7,245,614	3,580,942	51,440,694	938,966	63,206,216	5.80
Due from related entities	-	-	-	1,459,617	1,459,617	-
Loans	8,155,379	9,070,158	136,391,438	1,225,009	154,841,984	9.50
Other assets	-	-	-	1,041,287	1,041,287	-
Total financial assets	<u>34,747,980</u>	<u>15,447,914</u>	<u>187,832,132</u>	<u>22,492,458</u>	<u>260,520,484</u>	
<b>Financial Liabilities</b>						
Due to specialised financial institutions	21,434	64,303	4,166,338	-	4,252,075	4.39
Customer deposits	185,516,883	22,413,582	1,662,738	586,656	210,179,859	1.12
Due to related entities	-	-	-	290,530	290,530	-
Securities sold under- repurchase agreements	26,094,287	1,973,508	-	179,865	28,247,660	5.90
Other payables	-	-	-	2,950,434	2,950,434	-
Lease liabilities	635,238	640,607	284,696	353,210	1,913,751	9.43
Total financial liabilities	<u>212,267,842</u>	<u>25,092,000</u>	<u>6,113,772</u>	<u>4,360,695</u>	<u>247,834,309</u>	
Total interest rate sensitivity gap	<u>(177,519,862)</u>	<u>(9,644,086)</u>	<u>181,718,360</u>	<u>18,131,763</u>	<u>12,686,175</u>	
Cumulative gap	<u>(177,519,862)</u>	<u>(187,163,948)</u>	<u>(5,445,588)</u>	<u>12,686,175</u>		

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****32. 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:

	<b>Increase in interest rate</b>	<b>Decrease in interest rate</b>
J\$ denominated instruments	2026: 25 basis points (2025: 25 basis points)	2026: 25 basis points (2025: 75 basis points)
US\$ denominated instruments	2026: 25 basis points (2025: 25 basis points)	2026: 50 basis points (2025: 50 basis points)

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

	<u>2026</u>		<u>2025</u>	
	<u>Increase</u> \$'000	<u>Decrease</u> \$'000	<u>Increase</u> \$'000	<u>Decrease</u> \$'000
Other comprehensive income: J\$	( 975,261)	14,344	( 762,688)	73,170
US\$ denominated	(5,665,136)	1,328,763	(6,578,419)	1,758,070

*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 2025.

	<u>Effect on profit</u>	
	<u>Increase</u> \$'000	<u>Decrease</u> \$'000
March 31, 2026		
Variable rate instruments – J\$	<u>5,984</u>	<u>( 5,984)</u>
March 31, 2025		
Variable rate instruments – J\$	<u>6,931</u>	<u>(20,794)</u>

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****32. 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 1.5% (2025: 6%) and 2% (2025: 2%) increase/decrease respectively in market prices at the reporting date would result in changes in reserves for the Bank of \$9,364,000 (2025: \$12,986,000) and \$12,486,000 (2025: \$4,329,000).

(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 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:

	<u>2026</u>	<u>2025</u>
	000	000
United States dollar	1,707	1,710
Canadian dollar	( 135)	(2,123)
Euro	105	179
Pound sterling	(5,086)	(8,161)
Cayman dollar	<u>634</u>	<u>873</u>

The Bank of Jamaica's weighted average exchange rates ruling at the year-end are shown at note 36(o)(i).

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****32. Financial risk management (continued)**

(d) Market risk (continued):

**Management of market risk (continued)**

(iii) Foreign currency risk (continued):

*Sensitivity to exchange rate movements:*

A 1.5% (2025: 3.5%) weakening of the Jamaica dollar against the various currencies at March 31, 2026, would have decreased profit for the year by the amounts shown in the table below. A 1% (2025: 1%) strengthening of the Jamaica dollar against these currencies at March 31, 2026 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 2025.

	2026		2025	
	S'000		S'000	
	1.5 % weakening	1% strengthening	3.5% weakening	1% strengthening
United States dollar	4,038	(2,692)	9,434	(2,695)
Canadian dollar	(230)	153	(8,074)	2,307
Pounds sterling	(15,909)	10,606	(57,644)	14,470
Euro	289	(192)	1,075	(307)
Cayman dollar	<u>1,831</u>	<u>(1,221)</u>	<u>5,869</u>	<u>(1,677)</u>

(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;

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****32. Financial risk management (continued)**

## (e) Operational risk (continued):

- 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 Bank of Jamaica (BOJ), which monitors the capital requirements. The Bank's policy is to maintain a strong capital base, ensuring 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.

BOJ requires The Bank to maintain a prescribed ratio of total capital as prescribed by the Banking Services Act 2024 (First Schedule), to total risk weighted assets of 13% (2025: 13%) compared to the minimum ratio of 10% (2025: 10%). The Bank's actual ratio at March 31, 2026 was 13% (2025: 13%).

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****33. 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 36(b).

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 and other payables are considered to approximate their carrying values due to their relatively short-term nature.

The estimated fair value of loans is calculated using the discounted cash flow method, incorporating a credit spread that reflects the risk profile of the portfolio. This model estimates the future expected cash flows of the loans, net of any credit loss allowances, and discounts these cash flows to their present value using a risk-adjusted discount rate. This rate is derived by combining the risk-free rate with an appropriate credit spread, which represents the additional risk premium specific to the loans. The credit spread is determined based on market data for comparable financial instruments, ensuring that the valuation accurately reflects prevailing market conditions and credit risks

The fair value of long-term loan and due to specialised financial institution having specific maturity after one year, are 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.

## JN BANK LIMITED

### Notes to the Financial Statements (Continued) March 31, 2026

#### 33. Fair value of financial instruments (continued)

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

	2026									
	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	\$'000		
<b>Financial assets measured at fair value:</b>										
Corporate bonds	-	6,597,020	-	-	6,597,020	-	6,597,020	-	6,597,020	
Government of Jamaica securities	-	42,445,745	-	-	42,445,745	-	42,445,745	-	42,445,745	
Treasury bills	-	8,499,787	-	-	8,499,787	-	8,499,787	-	8,499,787	
Quoted equities	-	188,709	-	-	188,709	188,709	-	-	188,709	
Unquoted equities	-	435,588	-	-	435,588	-	-	435,588	435,588	
	<u>-</u>	<u>58,166,849</u>	<u>-</u>	<u>-</u>	<u>58,166,849</u>	<u>188,709</u>	<u>57,542,552</u>	<u>435,588</u>	<u>58,166,849</u>	

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 which each value measurement is categorised.

<b>Financial assets not measured at fair value:</b>										
Cash resources	30,525,964	-	-	-	30,525,964	-	30,525,964	-	30,525,964	
Securities purchased under resale agreements	4,219,335	-	-	-	4,219,335	-	4,219,335	-	4,219,335	
Certificates of deposit	7,502,867	-	-	-	7,502,867	-	7,502,867	-	7,502,867	
Due from related entities	888,435	-	-	-	888,435	-	-	888,435	888,435	
Loans	165,393,876	-	-	-	165,393,876	-	-	171,921,140	171,921,140	
Other assets	1,558,844	-	-	-	1,558,844	-	-	1,558,844	1,558,844	
	<u>210,089,321</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>210,089,321</u>	<u>-</u>	<u>42,248,166</u>	<u>174,368,419</u>	<u>216,616,585</u>	
<b>Financial liabilities not measured at fair value:</b>										
Due to specialised financial institutions	-	-	-	4,497,394	4,497,394	-	-	4,497,394	4,497,394	
Due to related entities	-	-	-	246,174	246,174	-	-	246,174	246,174	
Customer deposits	-	-	-	233,256,680	233,256,680	-	-	233,256,680	233,256,680	
Securities sold under repurchase agreements	-	-	-	11,484,732	11,484,732	-	-	11,484,732	11,484,732	
Other payables	-	-	-	2,655,906	2,655,906	-	-	2,655,906	2,655,906	
Lease liabilities	-	-	-	1,463,529	1,463,529	-	-	1,463,529	1,463,529	
	<u>-</u>	<u>-</u>	<u>-</u>	<u>253,604,415</u>	<u>253,604,415</u>	<u>-</u>	<u>-</u>	<u>253,604,415</u>	<u>253,604,415</u>	

## JN BANK LIMITED

### Notes to the Financial Statements (Continued) March 31, 2026

#### 33. Fair value of financial instruments (continued)

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

	2025								
	Carrying amount					Fair value			
	Amortised cost \$'000	Fair value through other comprehensive income \$'000	Fair value through profit or loss \$'000	Other financial liabilities \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets measured at fair value:</b>									
Corporate bonds	-	7,917,029	-	-	7,917,029	-	7,917,029	-	7,917,029
Government of Jamaica securities	-	43,942,122	-	-	43,942,122	-	43,942,122	-	43,942,122
Treasury bills	-	7,325,030	-	-	7,325,030	-	7,325,030	-	7,325,030
Quoted equities	-	196,939	-	-	196,939	196,939	-	-	196,939
Unquoted equities	-	19,608	-	-	19,608	-	19,608	-	19,608
	-	<u>59,400,728</u>	-	-	<u>59,400,728</u>	<u>196,939</u>	<u>59,203,789</u>	-	<u>59,400,728</u>
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 which each value measurement is categorised.									
<b>Financial assets not measured at fair value:</b>									
Cash resources	37,143,299	-	-	-	37,143,299	-	37,143,299	-	37,143,299
Securities purchased under resale agreements	2,796,814	-	-	-	2,796,814	-	2,796,814	-	2,796,814
Certificates of deposit	3,083,069	-	-	-	3,083,069	-	3,083,069	-	3,083,069
Due from related entities	1,459,617	-	-	-	1,459,617	-	-	1,459,617	1,459,617
Loans	153,616,975	-	-	-	153,616,975	-	-	169,438,812	169,438,812
Other assets	1,041,287	-	-	-	1,041,287	-	-	1,041,287	1,041,287
	<u>199,141,061</u>	-	-	-	<u>199,141,061</u>	-	<u>43,023,182</u>	<u>171,939,716</u>	<u>214,962,898</u>
<b>Financial liabilities not measured at fair value:</b>									
Due to specialised financial institutions	-	-	-	4,252,075	4,252,075	-	-	4,252,075	4,252,075
Due to related entities	-	-	-	290,530	290,530	-	-	290,530	290,530
Customer deposits	-	-	-	209,593,203	209,593,203	-	-	209,593,203	209,593,203
Securities sold under repurchase agreements	-	-	-	28,067,795	28,067,795	-	-	28,067,795	28,067,795
Other payables	-	-	-	2,950,434	2,950,434	-	-	2,950,434	2,950,434
Lease liabilities	-	-	-	1,913,751	1,913,751	-	-	1,913,751	1,913,751
	-	-	-	<u>247,067,788</u>	<u>247,067,788</u>	-	-	<u>247,067,788</u>	<u>247,067,788</u>

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****33. 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.

<b>Type</b>	<b>Valuation techniques</b>
US\$ denominated Government of Jamaica (GOJ) securities, Treasury bills, sovereign and corporate bonds	<ul style="list-style-type: none"> <li>• Obtain bid price provided by a recognised and reputable broker/dealer, reflecting quoted prices for identical instruments in less than active market.</li> <li>• Apply price to estimate fair value after evaluating whether those prices are indicative of fair value by assessing factors such as volume for that specific financial instrument, whether the transactions/quotes referred to represent transactions in an orderly market, and the timing between the transaction/quote date and the measurement date.</li> </ul>
J\$ denominated securities issued or guaranteed by GOJ	<ul style="list-style-type: none"> <li>• Obtain bid price provided by a recognised and reputable pricing service provider (which uses Jamaica-market-supplied indicative bids, reflecting quoted prices for identical instruments in less than active market)</li> <li>• Apply price to estimate fair value after evaluating whether those prices are indicative of fair value by assessing factors such as volume for that specific financial instrument, whether the transactions/quotes referred to represent transactions in an orderly market, and the timing between the transaction/quote date and the measurement date.</li> </ul>

There are no significant unobservable inputs in computing the fair values and no material adjustments to the prices obtained from the service provider or broker/dealer were required.

**34. Commitments**

At March 31, 2026, the Bank had:

- (a) Undisbursed approved loans and loan commitments amounting to approximately \$13,406,139,000 (2025: \$12,768,673,000).
- (b) Capital commitments:  
Commitments for capital expenditure amounted to \$253,331,000 (2025: \$682,088,000).
- (c) Sponsorship commitments:  
Commitments for sponsorship expenditures amounted to \$70,250,000 (2025: \$75,700,000).
- (d) Commitments under acceptances, guarantees and letters of credit amounting to \$29,564,000 (2025: \$50,089,000). In the event of a call on these commitments, the Bank has equal and offsetting claims against its customers.

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****35. 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. Management is of the view that in the unlikely event that these claims are successful, liability would not be material.

**36. Material accounting policies**

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

**(a) Financial assets and financial liabilities***Recognition and initial measurement*

Financial assets and financial liabilities are recognised when the Bank 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.

The Bank measures a financial asset or financial liability at fair value plus, for an item not at FVTPL, transaction costs such as fees and commissions that are directly attributable to the acquisition or issue. The fair value of a financial instrument on initial recognition is generally its transaction price.

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).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

A debt instrument, such as loans and government and corporate bonds, is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cashflows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****36. Material accounting policies (continued)**

- (a) Financial assets and financial liabilities (continued)

*Classification and subsequent measurement (continued)*

On initial recognition of an equity instrument that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

*Business model assessment:* the business model reflects how the Bank manages the assets in order to generate cash flows. The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes the stated policies and objectives for the portfolio and the operation of those policies in practice, 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.

The Bank's retail and corporate banking business comprise primarily loans to customers that are held for collecting contractual cash flows. In the retail business the loans comprise mortgages, overdrafts, unsecured personal lending and credit card facilities. Sales of loans from these portfolios are rare. Certain debt securities are held by the Bank in a separate portfolio for long-term yield. These securities may be sold but such sales are not expected to be more than infrequent. The Bank considers that these securities are held within a business model whose objective is to hold assets to collect the contractual cash flows. Certain other debt securities are held as part of the Bank's liquidity management. The return on these assets consists of collecting contractual cash flows as well as gains and losses from the sale of financial assets. The Bank considers that these financial assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

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:* In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial assets contain a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. 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.

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****36. Material accounting policies (continued)**

## (a) Financial assets and financial liabilities (continued)

*Reclassifications*

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business mode for managing financial assets.

*Equity instruments*

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 trading and are held for strategic or long-term.

## Financial liabilities

Financial liabilities classified as at amortised cost are initially recognised at fair value less transaction costs and are thereafter carried at amortised cost.

*Measurement methods*

## Amortised cost

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.

For purchased or originated credit-impaired ('POCI') financial assets - assets that are credit-impaired [see definition on note 36(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 financial assets

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.

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.

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****36. Material accounting policies (continued)**

## (a) Financial assets and financial liabilities (continued)

## Modification of financial assets (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).

## Modification of 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 32(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 of the financial asset.

On derecognition of a debt instrument carried at FVOCI, 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), (ii) any cumulative gain or loss that had been recognised in OCI for debt securities designated at FVOCI 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.

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****36. Material accounting policies (continued)**

## (a) Financial assets and financial liabilities (continued)

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 substantially all risks and rewards, including a subordinated residual interest.

## Financial liabilities

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

*Identification and measurement of impairment*

Note 32(b) provides more details of how the expected credit loss allowance is measured.

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

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Loan commitments and financial guarantee contracts: generally, as a provision;
- Debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. An impairment loss is recognised in profit or loss, with a corresponding amount recognised in other comprehensive income, so that the carrying amount of the debt instrument remains at fair value

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.

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****36. Material accounting policies (continued)****(b) Fair value measurement**

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

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

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

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

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 the following: 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.

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****36. Material 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 and equipment**

Items of property 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 day-to-day servicing of property and equipment is recognised in profit or loss as incurred.

Property 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.

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.

**(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 interest method, and is included in interest income and expense, respectively.

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****36. Material accounting policies (continued)****(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 date of acquisition/origination, 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.

**(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 property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

**(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.

**[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 useful life of the software is assessed at 3, 6 and 10 years, based on the nature and expected usage of the application.

**(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.

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****36. Material accounting policies (continued)****(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.

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.

**[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:**

The Bank has a defined-benefit plan which 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 plan (note 21) is calculated by estimating the amounts of future benefits that employees have earned in return for their service in the current and prior periods; discounting that amount and deducting the fair value of any plan assets.

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****36. Material accounting policies (continued)**

## (j) Employee benefits (continued)

## [iii] Defined-benefit plans (continued):

The calculation of the defined benefit obligation is performed annually by a qualified actuary under the projected unit credit method. In the absence of long term corporate bonds approximating the tenure of the Group's obligation, 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.

## (k) Loans payable

Loans payable are recognised initially at fair value, net of directly attributable transaction costs. 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 basis. The associated costs are included in interest expense.

## (l) Other payables

Other payables are measured at amortised cost.

## (m) Interest in equity-accounted investee

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.

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****36. Material accounting policies (continued)**

## (n) Taxation

## [i] Current income tax:

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

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

## [ii] Deferred 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 tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that:
  - is not a business combination; and
  - at the time of the transaction (i) affects neither accounting nor taxable profit or loss and (ii) does not give rise to equal taxable and deductible temporary differences;
- temporary differences related to investments in subsidiaries to the extent that the Bank is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

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. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the reporting date.

## (o) Foreign currencies

- [i] Foreign currency balances at the reporting date are translated at the Bank of Jamaica weighted average closing rate of US\$1.00 = J\$157.6713 (2025: J\$157.6705), UK£1.00 = 208.5092 (2025: J\$201.8178) and CDN\$1.00 = J\$113.6616 (2025: J\$ J\$108.6802), 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\$182.9481 (2025: J\$171.1954) and Cayman Dollar 1.00 = J\$192.6153 (2025: J\$192.0198).

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****36. Material accounting policies (continued)****(o) Foreign currencies (continued)**

- [ii] Transactions in foreign currencies are converted at the rates of exchange ruling on the dates of those transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the closing rate on the reporting date.

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 36(b)].

**(p) 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, in computing expected credit losses and set out in note 32(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 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 that is in excess of the requirements of IFRS is treated as an appropriation of retained earnings and included in a non-distributable credit loss reserve.

**(q) Interest income and expenses**

Interest income and expense are recognised in profit or loss for using the effective interest method. The "effective interest rate" is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instruments to its gross carrying amount of the financial asset or the amortised cost of the liability.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset when the asset is not credit-impaired.

For financial assets that are credit-impaired, interest income is calculated by applying the effective interest rate to the net carrying amount of the financial asset. The Bank reverts to the gross basis if the asset is no longer credit-impaired.

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****36. Material accounting policies (continued)****(r) Impairment of non-financial assets**

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

The recoverable amount of an asset - is the greater of its value in use and its fair value less costs of disposal. 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.

Impairment losses are recognised in profit or loss.

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

**(s) Leases***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.

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 is 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 future lease payments, 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.

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****36. Material accounting policies (continued)**

## (s) Leases (continued)

*As a lessee (continued)*

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.

The Bank presents right-of-use assets that do not meet the definition of investment property in 'property 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.

*Sale and leaseback*

Management has determined that the sale of properties under a sale and leaseback transaction which occurred in the prior year is an outright sale and is recognized as a gain. The leaseback of the properties is accounted for under IFRS 16.

## (t) Revenue recognition

Revenue from the provision of services is recognised in profit or loss when the Group satisfies its performance obligations by transferring control of the service to the customer, the consideration is reliably measurable and collection is probable at contract inception. No revenue is recognised if there are 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 36(q).

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****36. Material accounting policies (continued)**

## (u) 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:

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

## (v) New and amended standards

## (i) Newly effective standards during the year:

During the year, there were no new or amended standards that impacted the Bank.

## (ii) Forthcoming standards:

At the date of authorisation of these financial statements, certain new, revised and amended standards and interpretations which were in issue were not effective at the reporting date and had not been early-adopted by the Bank.

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****36. Material accounting policies (continued)**

(v) New and amended standards (continued)

(ii) Forthcoming standards (continued):

The Bank has assessed the relevance of all such standards and amendments to standards and has determined that the following is likely to be relevant to its operations:

- Amendments to IFRS 9 *Financial Instruments* will apply to annual periods beginning on or after January 1, 2026. Entities may choose to early adopt these amendments.

## Classification of financial instruments

The amendments introduce an additional SPPI test for financial assets with contingent features that are not related directly to a change in basic lending risks or costs – e.g. where the cash flows change depending on whether the borrower meets an ESG target specified in the loan contract.

Under the amendments, certain financial assets including those with ESG-linked features could now meet the SPPI criterion, provided that their cash flows are not significantly different from an identical financial asset without such a feature.

## Derecognition of a financial liability through electronic transfer:

The amendment allows the Bank to deem a financial liability or part thereof that will be settled in cash using an electronic payment system to be discharged before the settlement date if specified criteria are met. An entity that elects to apply the derecognition option would be required to apply it to all settlements made through the same electronic payment system.

The Bank is assessing the impact that these amendments will have on its 2027 financial statements.

- *IFRS 18, Presentation and Disclosure in Financial Statements*, is effective for annual reporting periods beginning on or after January 1, 2027. IFRS 18 promotes a more structured income statement. In particular, it introduces a newly defined ‘operating profit’ subtotal and a requirement for all income and expenses to be allocated between three new distinct categories (Operating, Investing and Financing) based on a company’s main business activities.

Reporting entities are required to report the newly defined ‘operating profit’ subtotal – an important measure for investors’ understanding of an entity’s operating results – i.e. investing and financing activities are specifically excluded. This means that the results of equity-accounted investees are no longer part of operating profit and are presented in the ‘investing’ category.

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****36. Material accounting policies (continued)**

(v) New and amended standards (continued)

(ii) Forthcoming standards (continued):

- *IFRS 18, Presentation and Disclosure in Financial Statements (continued)*

IFRS 18 also requires entities to analyse their operating expenses directly on the face of the income statement – either by nature, by function or using a mixed presentation. If any items are presented by function on the face of the income statement (e.g. cost of sales), then the entity provides more detailed disclosures about their nature. IFRS 18 requires some ‘non-GAAP’ measures to be reported in the financial statements. It introduces a narrow definition for management performance measures (MPMs), requiring them to be a subtotal of income and expenses, used in public communications outside the financial statements and reflective of management’s view of financial performance. For each MPM presented, entities will need to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards.

Entities are discouraged from labelling items as ‘other’ and will now be required to disclose more information if they continue to do so.

The Bank is assessing the impact that this standard will have on its 2028 financial statements.

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****37. Analysis of changes in financing during the year**

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Note	Securities sold under repurchase agreements \$'000	Lease liabilities \$'000	Due to specialised financial institutions \$'000	Total \$'000
<b>Balance at April 1, 2025</b>		<b><u>28,247,660</u></b>	<b><u>1,913,751</u></b>	<b><u>4,252,075</u></b>	<b><u>34,413,486</u></b>
Proceeds from issuance of repurchase agreements	19	214,461,874	-	-	214,461,874
Repayment of repurchase agreements	19	(231,044,937)	-	-	(231,044,937)
Payment of lease liabilities	16(a)(iv)	-	( 468,779)	-	( 468,779)
Interest paid on lease liabilities	16(a)(iv)	-	( 196,228)	-	( 196,228)
New lease		-	-	-	-
Proceeds from due to specialised financial institutions	17	-	-	1,983,918	1,983,918
Payments to specialised financial institutions	17	-	-	(1,738,599)	(1,738,599)
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total changes from financing cash flows</b>		<b><u>( 16,583,063)</u></b>	<b><u>( 665,007)</u></b>	<b><u>245,319</u></b>	<b><u>( 17,002,751)</u></b>
Liability-related					
Interest expense	27	1,203,157	18,557	215,446	1,437,160
Interest expense on lease liabilities	16(a)(iii)	-	196,228	-	196,228
Interest paid		<u>( 1,251,013)</u>	<u>-</u>	<u>( 215,446)</u>	<u>( 1,466,459)</u>
<b>Balance at March 31, 2026</b>		<b><u>11,616,741</u></b>	<b><u>1,463,529</u></b>	<b><u>4,497,394</u></b>	<b><u>17,577,664</u></b>

**JN BANK LIMITED****Notes to the Financial Statements (Continued)**  
**March 31, 2026****37. Analysis of changes in financing during the year (continued)**

Reconciliation of movements of liabilities to cash flows arising from financing activities (continued):

	Note	2025				Total
		Securities sold under repurchase agreements	Lease liabilities	Due to specialise d financial institution s	Long-term loan	
		\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at April 1, 2024</b>		<b><u>17,983,540</u></b>	<b><u>2,260,608</u></b>	<b><u>2,709,096</u></b>	<b><u>149,997</u></b>	<b><u>23,103,241</u></b>
Proceeds from issuance of repurchase agreements	19	264,369,185	-	-	-	264,369,185
Repayment of repurchase agreements	19	(254,249,010)	-	-	-	(254,249,010)
Payment of lease liabilities	16(a)(iv)	-	( 346,857)	-	-	( 346,857)
Interest paid on lease liabilities	16(a)(iv)	-	( 208,928)	-	-	( 208,928)
Proceeds from due to specialised financial institutions	17	-	-	2,129,000	-	2,129,000
Payments to specialised financial institutions	17	-	-	(586,021)	-	( 586,021)
Payments on long-term loan	8(c)(iii)	-	-	-	( 149,997)	( 149,997)
<b>Total changes from financing cash flows</b>		<b><u>10,120,175</u></b>	<b><u>( 555,785)</u></b>	<b><u>1,542,979</u></b>	<b><u>( 149,997)</u></b>	<b><u>10,957,372</u></b>
Liability-related						
Interest expense	27	1,320,031	-	151,663	-	1,471,694
Interest expense on lease liabilities	16(a)(iii)	-	208,928	-	-	208,928
Interest paid		( 1,176,086)	-	( 151,663)	-	( 1,327,749)
<b>Balance at March 31, 2025</b>		<b><u>28,247,660</u></b>	<b><u>1,913,751</u></b>	<b><u>4,252,075</u></b>	<b><u>-</u></b>	<b><u>34,413,486</u></b>

**JN BANK LIMITED****Notes to the Financial Statements (Continued)****March 31, 2026****38. Impact of Hurricane Melissa and the US-Israel Conflict with Iran**

Hurricane Melissa made landfall in Jamaica on October 28, 2025, causing significant damage to lives, livelihoods, infrastructure and properties. The hurricane had several direct impacts on customers, with the fallout having knock on effects on the Jamaican economy, inflation, and the financial markets. Whilst the majority of JN Group's members reside outside of the areas most severely impacted by the Hurricane, as part of JN Group's risk management strategy, ongoing assistance has been provided to its members who were directly impacted in order to mitigate the risks to the credit and other portfolios. JN Group has also made the appropriate amendments to its IFRS 9 modelling to ensure that adequate provisions are established, considering the heightened climate risks identified.

In March 2026, the geopolitical instability resulting from the US-Israel conflict with Iran and allies of Iran, and the subsequent closure of the Strait of Hormuz, have led to further market and macroeconomic volatility, driven by uncertainty around sustained oil supply and abnormally high prices and the knock-on effects on long-term inflation. This is expected to result in continued tight monetary policy actions in several jurisdictions, leading to a slowdown in global economic activity, reduction in the fair value of financial instruments and potentially impacting financial sector stability and capitalization levels. The Bank continues to enact enhanced due diligence and monitoring of its various credit and investment portfolios, given the potential ongoing adverse impacts of the crisis.

The Government of Jamaica (GOJ) continues to be focused on recovery and rebuilding activities following the hurricane, with Parliament approving the suspension of the Fiscal Rules to allow for increased borrowing to satisfy the budget deficit for FY 2026/27. Bank of Jamaica is expected to maintain a tight monetary policy stance to combat the heightened inflation risk during the period of instability and inflation periodically trending above the upper limit in its 4 – 6% range.

Based on management's assessment, these two events are not expected to have a material bearing on The Bank's operations or financial risk.