

JN BANK LIMITED
FINANCIAL STATEMENTS
MARCH 31, 2024



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INDEPENDENT AUDITORS' REPORT

To the Member of
JN BANK LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of JN Bank Limited (“the Bank”), set out on pages 4 to 95, which comprise the statement of financial position as at March 31, 2024, 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, 2024, 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 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 Member 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.



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Member of
JN BANK LIMITED

Report on the Audit of the Financial Statements (continued)

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

- 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.

A handwritten signature in blue ink that reads 'KPMG'.

Chartered Accountants
Kingston, Jamaica

August 27, 2024


JN BANK LIMITED**Statement of Financial Position
March 31, 2024**

	<u>Notes</u>	<u>2024</u> \$'000	<u>2023</u> \$'000 Restated*	<u>2022</u> \$'000 Restated*
ASSETS				
Cash resources	6,9(c)(ii)	28,118,184	27,952,452	29,205,481
Securities purchased under resale agreements	7	4,048,936	757,055	6,488,385
Investments	8	57,543,802	59,756,346	76,017,227
Due from related entities	9(c)(i)	906,562	492,770	379,174
Taxation recoverable		1,235,976	988,700	960,335
Loans, after allowance for impairment losses	11,9(c)(ii)	151,345,464	128,619,137	112,678,557
Other assets	12,42	1,959,711	1,566,878	959,495
Assets held for sale	13	-	33,467	84,232
Interest in associate	10	147,243	152,901	220,228
Investment property	14	561,079	815,000	735,000
Property and equipment	15	4,286,160	4,011,057	4,132,308
Intangible assets	16,42	2,806,428	2,302,782	1,858,939
Deferred tax asset	17	3,745,783	2,978,703	2,196,209
Right-of-use assets	18(a)(i)	700,139	288,835	296,306
Total assets		<u>257,405,467</u>	<u>230,716,083</u>	<u>236,211,876</u>
LIABILITIES				
Due to specialised financial institutions	24	2,709,096	2,288,455	3,969,808
Customer deposits	19,9(c)(ii)	200,721,190	181,562,153	178,795,731
Due to related entities	9(c)(i)	310,663	205,944	149,148
Securities sold under repurchase agreements	20,9(c)(ii)	17,983,540	15,565,414	16,087,441
Other payables	21	2,862,029	1,872,859	1,571,105
Margin loan payable	22	2,216,038	2,086,715	-
Taxation payable		-	-	157,070
Employee benefits obligation	23(a)	1,080,733	670,027	1,199,957
Long-term loan	9(c)(iii)	149,997	222,725	14,532,700
Lease liabilities	18(a)(ii)	2,260,608	319,437	324,234
Total liabilities		<u>230,293,894</u>	<u>204,793,729</u>	<u>216,787,194</u>
EQUITY				
Share capital	25	11,511,000	11,511,000	4,511,000
Reserve fund	26	7,782,851	7,656,668	7,600,000
Contractual savings reserve	27	14,223	14,223	14,223
Other reserves	28,42	3,910,883	3,611,298	5,366,463
Retained earnings	42	3,892,616	3,129,165	1,932,996
Total equity		<u>27,111,573</u>	<u>25,922,354</u>	<u>19,424,682</u>
Total liabilities and equity		<u>257,405,467</u>	<u>230,716,083</u>	<u>236,211,876</u>


The financial statements on pages 4 to 95 were approved for issue by the Board of Directors on August 27, 2024 and signed on its behalf by:




Kathleen A.J. Moss Director



Leesa Kow Director



Hon. Earl Barrett, OJ, CD, JP, CSTJ Director



Tasha Manley Secretary

*See Note 42

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

JN BANK LIMITED**Statement of Profit or Loss**
Year ended March 31, 2024

	<u>Notes</u>	<u>2024</u> \$'000	<u>2023</u> \$'000 Restated*
Interest income calculated using the effective interest method:			
Interest on loans	9(d)	12,858,829	10,931,065
Interest on investments		<u>3,445,461</u>	<u>3,225,664</u>
		16,304,290	14,156,729
Interest expense calculated using the effective interest method	30,9(d)	<u>(3,658,005)</u>	<u>(2,586,946)</u>
Net interest income		12,646,285	11,569,783
Impairment losses on financial instruments	35(b)(vi)	<u>(1,655,336)</u>	<u>(791,935)</u>
Loss on disposal of fair value through other comprehensive income (FVOCI) investment securities		<u>(16,717)</u>	<u>(338)</u>
Other operating income	31,9(d)	6,427,665	5,118,456
Fair value (loss)/gain on investment property	14	<u>(43,921)</u>	80,000
Operating expenses	32,9(d)	<u>(16,866,804)</u>	<u>(14,671,560)</u>
Finance expense – leases	18(a)(iii)	<u>(113,169)</u>	<u>(17,687)</u>
Operating profit		378,003	1,286,719
Share of profit in associate	10	13,898	45,108
Unrealised foreign exchange gains		<u>76,024</u>	<u>150,384</u>
Profit before taxation		467,925	1,482,211
Taxation	33	<u>793,906</u>	<u>(580,672)</u>
Profit for the year		<u>1,261,831</u>	<u>901,539</u>

*See Note 42

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

JN BANK LIMITED**Statement of Profit or Loss and Other Comprehensive Income**
Year ended March 31, 2024

	<u>Notes</u>	<u>2024</u> \$'000	<u>2023</u> \$'000 Restated*
Profit for the year		<u>1,261,831</u>	<u>901,539</u>
Other comprehensive income/(loss):			
Items that are or may be reclassified to profit or loss:			
Realised loss on investments recognised in statement of profit or loss		16,717	338
Increase/(decrease) in fair value of FVOCI investment securities, net of impairment losses		188,794	(2,739,314)
Deferred tax on FVOCI investment securities and expected credit loss (ECL)	17	(68,538)	<u>863,026</u>
		<u>136,973</u>	<u>(1,875,950)</u>
Items that will never be reclassified to profit or loss:			
Remeasurement of employee benefits obligation	23(d)	(314,377)	708,124
Deferred tax on employee benefits obligation	17	<u>104,792</u>	<u>(236,041)</u>
		<u>(209,585)</u>	<u>472,083</u>
Total other comprehensive loss for the year		<u>(72,612)</u>	<u>(1,403,867)</u>
Total comprehensive income/(loss) for the year		<u>1,189,219</u>	<u>(502,328)</u>

*See Note 42

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

JN BANK LIMITED**Statement of Changes in Equity**
Year ended March 31, 2024

	Share capital	Reserve fund	Contractual savings reserve	Other reserves	Retained earnings	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	(note 25)	(note 26)	(note 27)	(note 28)		
Balances as at March 31, 2022, as previously reported	4,511,000	7,600,000	14,223	5,766,072	1,533,387	19,424,682
Prior year adjustments (note 42)	-	-	-	(399,609)	399,609	-
Balances as at March 31, 2022 as restated	<u>4,511,000</u>	<u>7,600,000</u>	<u>14,223</u>	<u>5,366,463</u>	<u>1,932,996</u>	<u>19,424,682</u>
Total comprehensive income for the year:						
Profit for the year, as previously reported	-	-	-	-	492,364	492,364
Prior year adjustments (note 42)	-	-	-	-	409,175	409,175
Profit for the year, as restated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>901,539</u>	<u>901,539</u>
Other comprehensive (loss)/income:						
Realised loss on investments recognised in statement of profit or loss	-	-	-	338	-	338
Decrease in fair value of investment securities classified as fair value through other comprehensive income (FVOCI), net of impairment losses	-	-	-	(2,125,551)	-	(2,125,551)
Deferred tax on FVOCI investment securities and ECL	-	-	-	658,438	-	658,438
Remeasurement of employee benefits obligation	-	-	-	-	708,124	708,124
Deferred tax on employee benefits obligation	-	-	-	-	(236,041)	(236,041)
Total other comprehensive (loss)/income, as reported	-	-	-	(1,466,775)	472,083	(994,692)
Prior year adjustments (note 42)	-	-	-	(409,175)	-	(409,175)
Total other comprehensive (loss)/income, as restated	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,875,950)</u>	<u>472,083</u>	<u>(1,403,867)</u>
Total comprehensive (loss)/income	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,875,950)</u>	<u>1,373,622</u>	<u>(502,328)</u>
Movements between reserves:						
Transfer to reserve fund (note 26)	-	56,668	-	-	(56,668)	-
Transfer to credit loss reserve	-	-	-	120,785	(120,785)	-
	<u>-</u>	<u>56,668</u>	<u>-</u>	<u>120,785</u>	<u>(177,453)</u>	<u>-</u>
Transaction with owners:						
Issue of shares	7,000,000	-	-	-	-	7,000,000
Balances as at March 31, 2023, as restated	<u>11,511,000</u>	<u>7,656,668</u>	<u>14,223</u>	<u>3,611,298</u>	<u>3,129,165</u>	<u>25,922,354</u>
Total comprehensive income for the year:						
Profit for the year	-	-	-	-	1,261,831	1,261,831
Other comprehensive income/(loss):						
Realised loss on investments recognised in statement of profit or loss	-	-	-	16,717	-	16,717
Increase in fair value of investment securities classified as fair value through other comprehensive income (FVOCI), net of impairment losses	-	-	-	188,794	-	188,794
Deferred tax on FVOCI investment securities and ECL	-	-	-	(68,538)	-	(68,538)
Remeasurement of employee benefits obligation	-	-	-	-	(314,377)	(314,377)
Deferred tax on employee benefits obligation	-	-	-	-	104,792	104,792
Total other comprehensive income/(loss)	<u>-</u>	<u>-</u>	<u>-</u>	<u>136,973</u>	<u>(209,585)</u>	<u>(72,612)</u>
Total comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>136,973</u>	<u>1,052,246</u>	<u>1,189,219</u>
Movements between reserves:						
Transfer to reserve fund (note 26)	-	126,183	-	-	(126,183)	-
Transfer to credit loss reserve	-	-	-	162,612	(162,612)	-
	<u>-</u>	<u>126,183</u>	<u>-</u>	<u>162,612</u>	<u>(288,795)</u>	<u>-</u>
Balances as at March 31, 2024	<u>11,511,000</u>	<u>7,782,851</u>	<u>14,223</u>	<u>3,910,883</u>	<u>3,892,616</u>	<u>27,111,573</u>

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

JN BANK LIMITED**Statement of Cash Flows**
Year ended March 31, 2024

	<u>Notes</u>	<u>2024</u> \$'000	<u>2023</u> \$'000 Restated*
Cash flows from operating activities			
Profit for the year		1,261,831	901,539
Adjustments to reconcile profit for the year to net cash used in operating activities:			
Depreciation - property and equipment	15	363,535	337,233
Depreciation on right-of-use assets	18(a)(i)	160,069	105,551
Amortisation of intangible assets	16	94,057	59,509
Gain on disposal of property and equipment	31	(1,935,893)	(7,486)
Gain on disposal of foreclosed property	31	(135)	(6,101)
Loss on disposal of investments		16,739	338
Fair value loss/(gain) on investment property	14	43,921	(80,000)
Gain from foreign exchange rate changes		(28,381)	(267,716)
Gain from specialised financial institutions		-	(943,222)
Share of profit in associate	10	(13,898)	(45,108)
Impairment losses on financial instruments	35(b)(vi)	1,655,336	791,935
Dividend income	31	(51,797)	(27,720)
Interest income		(16,304,290)	(14,156,729)
Interest expense	30	3,658,005	2,586,946
Interest expense on lease liabilities	18(a)(iii)	113,169	17,687
Tax expense	33(a)(i)	-	736,181
Deferred taxation	33(a)(ii)	(730,826)	(155,509)
Benefits paid – employee benefits obligation	23(b)	(13,982)	(15,262)
Current service cost - employee benefits obligation	23(b)	24,116	74,223
Interest cost - employee benefits obligation	23(b)	<u>86,195</u>	<u>119,233</u>
		(11,602,229)	(9,974,478)
Changes in operating assets and liabilities:			
Due from related entities		(415,790)	(116,219)
Taxation recoverable		(247,276)	(129)
Loans		(23,758,507)	(17,089,017)
Other assets		(372,602)	(661,495)
Customer deposits		16,959,224	5,268,813
Due to related entities		104,719	56,944
Margin loan payable		129,322	2,086,716
Other payables		981,085	315,633
Statutory reserves at Bank of Jamaica		<u>(2,895,749)</u>	<u>450,905</u>
		(21,117,803)	(19,662,327)
Interest paid		(3,094,337)	(2,607,122)
Interest received		15,860,436	13,545,794
Income tax paid		<u>(-)</u>	<u>(921,752)</u>
Net cash used in operating activities		<u>(8,351,704)</u>	<u>(9,645,407)</u>
Cash flows from investing activities			
Acquisition of investments		(69,989,841)	(46,328,939)
Proceeds from disposal of investments		74,393,186	53,761,034
Acquisition of securities purchased under resale agreements		(329,041,912)	(358,384,734)
Proceeds from sale of securities acquired under resale agreements		325,013,000	369,534,026
Dividend received		51,797	27,720
Inflow from assets held for sale		14,411	18,926
Dividends from equity accounted investee	10	23,224	111,000
Purchase of intangible assets	16	(597,703)	(1,130,843)
Purchase of property and equipment	15	(1,183,921)	(217,929)
Purchase of investment property	14	(210,000)	-
Increase in right-of-use assets due to sale and leaseback		(571,372)	-
Proceeds from disposal of investment properties	14	230,000	-
Proceeds from disposal of assets held for sale		19,191	37,708
Proceeds from disposal of property and equipment		2,671,176	9,432
Proceeds from disposal of intangible assets		<u>-</u>	<u>609,558</u>
Net cash provided by investing activities		<u>821,236</u>	<u>18,046,959</u>
Net cash (used in)/ provided by operating and investing activities (page 9)		<u>(7,530,468)</u>	<u>8,401,552</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, 2024

	Notes	<u>2024</u> \$'000	<u>2023</u> \$'000 Restated*
Net cash (used in)/ provided by operating and investing activities (page 8)		(<u>7,530,468</u>)	<u>8,401,552</u>
Cash flows from financing activities			
Proceeds from issuance of repurchase agreements		157,492,714	135,123,036
Repayment of repurchase agreements		(155,238,219)	(135,609,999)
Payment of lease liabilities	18(a)(iv)	(362,962)	(120,565)
Increase in lease liabilities due to sale and leaseback transaction leaseback and other leased transactions		2,190,964	-
Proceeds from due to specialised financial institutions		803,037	2,201,166
Payments to specialised financial institutions		(382,396)	(2,939,489)
Payments on long-term loan		(72,728)	(14,310,275)
Issue of new shares		-	<u>7,000,000</u>
Net cash provided by/ (used in) financing activities		<u>4,430,410</u>	(<u>8,656,126</u>)
Net decrease in cash and cash equivalents		(3,100,058)	(254,574)
Cash and cash equivalents at beginning of year		13,326,615	14,128,961
Effects of exchange rate changes on cash and cash equivalents		<u>370,263</u>	(<u>547,772</u>)
Cash and cash equivalents at end of year	6	<u>10,596,820</u>	<u>13,326,615</u>

*See Note 42

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

JN BANK LIMITED**Notes to the Financial Statements**
March 31, 2024**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.

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

2. Licence and regulation

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

3. Statement of compliance and basis of preparation**(a) Statement of compliance:**

The financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS 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 39.

(b) Basis of preparation:

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

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

The preparation of the financial statements in conformity with IFRS Accounting Standards assumes that the Bank will continue in operational existence for the foreseeable future. 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**
March 31, 2024**3. Statement of compliance and basis of preparation (continued)****(b) Basis of preparation (continued):**

In December 2023, the regulator required the Bank to achieve a 15% capital adequacy ratio which is a 5% buffer above the statutory requirement. The regulator has not established a specific timeline to meet the new capital requirement but is intended for it to be within the shortest possible time. Such buffer was set by the regulator with a view of enhancing the Bank's ability to withstand macro-economic shocks without the need of resorting to related parties to obtain capital and liquidity support, should the need arise.

As at March 31, 2024, and the date of approval of the financial statements the ratio was 12.5%. Management has prepared a plan with a view of reaching 15% capital adequacy ratio by March 31, 2025. One of these actions relates to the sale of certain risk weighted assets for which there is already a firm offer, with the transaction expected to be completed in September 2024. Although regulatory approvals are required for the sale to go through, management is confident that the possibility of the transaction failing (that is, approval withheld) is highly remote. In addition, as part of the plan, the Bank will seek to raise additional capital. The results of these plans is expected to have an approximately \$12.3b impact on net capital. Management has commenced preliminary discussions with brokers, but the process to raise these funds is still at an early stage. While there can be no assurance that the full funding will be raised, management is confident that the issue will be successful by March 2025.

Management has applied significant judgements in respect of future projections of profitability, raising of capital and other planned activities. Assessments include reasonable possibility of downside scenarios and their potential impact on profitability, capital adequacy and liquidity. From a liquidity perspective, management notes that as at March 31, 2024, the liquidity ratio was 218.3% against the regulatory requirement of 100%. This position is bolstered by the Bank's adequate stock of high-quality liquid assets. In the most adverse but plausible scenario, the Bank will need \$2.5 billion in additional capital by March 2025 to meet the 15% requirement imposed by the regulator. In the event that such target is not met, management is confident that the bank can continue to operate, working together with the regulator to reach the targeted capital adequacy ratio.

Management has assessed these conditions, taking also into account cashflows existing at the reporting date and has determined that it has a reasonable expectation that it has adequate and feasible plans in place to continue operations for at least the next twelve months from the date of approval of these financial statements and that the going concern basis of accounting remains appropriate.

(c) Functional and presentation currency:

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

(d) Use of estimates, assumptions and judgements:

The preparation of the financial statements in conformity with IFRS 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.

JN BANK LIMITED**Notes to the Financial Statements**
March 31, 2024**3. Statement of compliance and basis of preparation (continued)****(d) Use of estimates, assumptions and judgements (continued):**

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

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

4. Accounting estimates and judgements**(a) Key sources of estimation uncertainty:**

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

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

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

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

(ii) Allowance for impairment losses [Note 35 (b)]:*Measurement of the expected credit loss (ECL) allowance*

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and fair value through other comprehensive income (FVOCI) requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). The explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in notes 35(b) and 39(a).

JN BANK LIMITED**Notes to the Financial Statements**
March 31, 2024**4. Accounting estimates and judgements (continued)**

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

(ii) Allowance for impairment losses [Note 35 (b)] (continued):

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

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

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

Detailed information about the judgements and estimates made by the Bank in the above areas is set out in note 35(b).

Sensitivity of ECL to future economic conditions

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

(b) Judgments

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following note:

Going concern

Management has made significant judgements in assessing whether or not there are material uncertainties that may cast doubt on the Bank's ability to continue as a going concern as disclosed in note 3(b).

5. Responsibilities of the appointed actuaries

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

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

JN BANK LIMITED**Notes to the Financial Statements**
March 31, 2024**6. Cash resources**

	<u>2024</u> \$'000	<u>2023</u> \$'000
Cash and cash equivalents for statement of cash flows [see (c)]	10,596,820	13,326,615
Cash reserve with Bank of Jamaica [see (a)]	<u>17,521,364</u>	<u>14,625,837</u>
	<u>28,118,184</u>	<u>27,952,452</u>

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

At March 31, 2024, the required percentage of average prescribed liabilities was 6% (2023: 5%) for Jamaica dollar and 14% (2023: 13%) for foreign currency liabilities.

- (b) The Bank has a \$145,000,000 (2023: \$145,000,000) unsecured overdraft facility with a commercial bank. The facility was not utilised over the period.
- (c) Cash and cash equivalents represent cash on hand and balances with banks that are unrestricted and can be withdrawn without prior notice.

7. Securities purchased under resale agreements

	<u>2024</u> \$'000	<u>2023</u> \$'000
Principal	4,028,912	739,244
Interest receivable	<u>20,024</u>	<u>17,811</u>
	<u>4,048,936</u>	<u>757,055</u>

At March 31, 2024, securities obtained and held under resale agreements had a fair value of \$4,213,145,000 (2023: \$921,199,000).

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

	<u>2024</u> \$'000	<u>2023</u> \$'000
Within 3 months	3,653,912	299,062
3 months to 1 year	<u>375,000</u>	<u>440,182</u>
	<u>4,028,912</u>	<u>739,244</u>

JN BANK LIMITED**Notes to the Financial Statements**
March 31, 2024**8. Investments**

	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
Amortised cost		
Certificates of deposit [see (iv) below]	5,931,380	2,656,104
Less ECL for debt securities	(3,876)	(223)
	<u>5,927,504</u>	<u>2,655,881</u>
Fair value through other comprehensive income		
Corporate bonds	8,912,755	9,400,567
Government of Jamaica securities [see note 35 (b)(vi) and (iii) below]	38,363,217	40,588,374
Treasury bills	3,296,134	6,069,197
Quoted equities	201,062	275,222
Promissory note	-	49,829
Unquoted equities [see (i) below]	<u>19,608</u>	<u>19,608</u>
	<u>50,792,776</u>	<u>56,402,797</u>
Investments, excluding interest receivable	56,720,280	59,058,678
Interest receivable	<u>823,522</u>	<u>697,668</u>
	<u>57,543,802</u>	<u>59,756,346</u>

- (i) The Bank holds 5,020,000 (2023: 5,020,000) units of shares in Automated Payments Limited, an automated clearing house operator. These shares are classified as fair value through other comprehensive income.
- (ii) Investments, excluding interest receivable, are due, from the reporting date, as follows:

	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
No maturity – equity instruments	220,670	294,830
Within 3 months	7,107,512	7,781,332
3 months to 1 year	2,611,376	9,591,125
1 year to 5 years	17,878,803	5,702,320
5 years and over	<u>28,905,795</u>	<u>35,689,294</u>
	56,724,156	59,058,901
Less ECL for debt securities	(3,876)	(223)
	<u>56,720,280</u>	<u>59,058,678</u>

- (iii) The Bank pledged investments amounting to \$883,987,000 (2023: \$768,489,000) 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.
- (iv) Certificates of deposit amounting to \$3,051,000 (2023: \$3,033,000) were pledged to cover a third-party guarantee.

JN BANK LIMITED**Notes to the Financial Statements**
March 31, 2024**9. Related party balances and transactions**

(a) Definition of related party

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

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

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

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

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

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

(b) Identity of related parties:

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

(c) Balances with related entities:

	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
(i) Due from related entities:		
Parent	3	168
Fellow subsidiaries	<u>906,559</u>	<u>492,602</u>
	<u>906,562</u>	<u>492,770</u>
Due to related parties:		
Ultimate parent	(69,978)	(33,035)
Subsidiaries of fellow subsidiaries	<u>(240,685)</u>	<u>(172,909)</u>
	<u>(310,663)</u>	<u>(205,944)</u>

JN BANK LIMITED**Notes to the Financial Statements**
March 31, 2024**9. Related party balances and transactions (continued)**

(c) Balances with related entities (continued):

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

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

	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
Cash and cash equivalents		
Fellow subsidiaries	8,608	8,399
Loans		
Directors (note 11)	158,795	100,511
Other key management personnel	137,424	96,158
Subsidiaries of fellow subsidiaries [see (iii) below]	1,388,011	847,535
Customer deposits		
Directors	(85,263)	(83,189)
Other key management personnel	(10,084)	(7,690)
Ultimate parent	(237,567)	(162,203)
Parent	(10,519)	(16,734)
Fellow subsidiaries	(3,817,823)	(2,604,914)
Subsidiaries of fellow subsidiaries	(557,334)	(905,299)
Securities sold under repurchase agreements		
Subsidiaries of fellow subsidiaries [see (iv) below]	(10,533,657)	(8,789,470)
Long-term loan		
Fellow subsidiary	(149,997)	(222,725)
Other payables		
Fellow subsidiary	<u>(609,114)</u>	<u>(478,881)</u>

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

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

(v) During the year the Bank purchased assets from other related entities amounting to \$1,225,274,000 (2023: \$274,069,000). These are recorded in property and equipment (note 15), as well as expenditure on IT projects in progress, included in other assets (note 12).

(vi) During the year, the Bank purchased loan portfolio from JN Bank UK amounting to J\$5.89b (2023: J\$1.92b) [(note 11(b)(iii))]. The loan portfolio consists of loans to external parties. In June 2024, the Bank pledged £11M of these loans as security for a loan issued to the ultimate parent.

JN BANK LIMITED**Notes to the Financial Statements**
March 31, 2024**9. Related party balances and transactions (continued)**

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

	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
Income:		
Interest income		
Ultimate parent	(88,103)	(11,244)
Fellow subsidiaries	(575)	(3,426)
Other related parties	(36,687)	(19,495)
Management fees		
Ultimate parent	(23,956)	(23,956)
Fellow subsidiaries	(4,605)	(4,822)
Other related entities	(1,169)	(151,171)
Other income		
Ultimate parent	(43,990)	(3,638)
Parent	-	(1,350)
Fellow subsidiaries	(93,409)	(94,880)
Other related entities	(32,114)	(28,109)
Expense:		
Maintenance expenses		
Fellow subsidiaries	62,245	59,991
Other related entities	22,701	25,793
Management fees (i)		
Ultimate parent	1,234,349	959,407
Parent	308,004	175,897
Fellow subsidiaries	28,374	17,173
Computer related expenses		
Other related entities	634,405	531,208
Commission		
Other related entities	365,045	298,116
Lease interest expense		
Other related entities	3,272	2,262
Service expense (ii)		
Ultimate parent	1,040,884	1,395,100
Parent	252,251	-
Fellow subsidiaries	147,915	600
Other related entities	841,846	785,922
Insurance		
Fellow subsidiaries	147,130	136,870
Interest expense		
Ultimate parent	189	88,397
Parent	1,042	2,596
Fellow subsidiaries	893,680	496,435
Other related entities	2,135	1,937
Marketing		
Other related entities	30,739	91,690
Other related parties:		
Contribution to pension scheme	162,205	159,384
Contribution to JN Foundation	<u>25,000</u>	<u>25,000</u>

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

JN BANK LIMITED**Notes to the Financial Statements**
March 31, 2024**9. Related party balances and transactions (continued)**

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

(ii) Service expense relates 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.

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

	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
Directors' emoluments (note 32):		
Fees	25,479	25,850
Management remuneration	41,109	41,970
Other key management compensation (note 34)		
Short-term benefits	147,728	128,187
Post-employment benefits	<u>5,924</u>	<u>5,136</u>
	<u>220,240</u>	<u>201,143</u>

10. Interest in associate

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

	<u>JN Money Services</u> <u>(Cayman) Limited</u>	
	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
Percentage ownership interest	20%	20%
Non-current assets	563,715	477,714
Current assets	1,546,457	1,316,138
Current liabilities	(1,314,574)	(1,104,213)
Non-current liabilities	(79,579)	(7,881)
Net assets (100%)	<u>716,019</u>	<u>681,758</u>
Bank's share of net assets (20%)	143,204	136,352
Foreign currency adjustment	<u>4,039</u>	<u>16,549</u>
Carrying amount of interest in associate	<u>147,243</u>	<u>152,901</u>
Revenue	946,569	1,120,691
Expenses	(877,081)	(895,151)
Profit, (being 100%)	<u>69,488</u>	<u>225,540</u>
Bank's share of profit in associate		
Profit, (being 20%)	<u>13,898</u>	<u>45,108</u>
Dividends received by Bank	<u>23,224</u>	<u>111,000</u>

JN BANK LIMITED**Notes to the Financial Statements**
March 31, 2024**11. Loans, after allowance for impairment losses**

	<u>2024</u> \$'000	<u>2023</u> \$'000
Mortgage loans – principal [see (b)]	92,707,354	87,302,917
Term loans	1,581,261	1,423,568
Demand loans	23,470,208	14,302,824
Auto loans	7,507,654	5,669,073
Personal loans	8,768,189	10,818,328
Other loans	<u>16,393,989</u>	<u>8,501,405</u>
	150,428,655	128,018,115
Accrued interest	<u>916,809</u>	<u>601,022</u>
	<u>151,345,464</u>	<u>128,619,137</u>

(a) Loan maturity analysis:

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

	<u>2024</u> \$'000	<u>2023</u> \$'000
Within 3 months	2,906,825	4,858,971
3 months to 1 year	6,968,959	1,968,169
1 year to 5 years	36,033,074	25,928,824
5 years and over	<u>104,519,797</u>	<u>95,262,151</u>
	<u>150,428,655</u>	<u>128,018,115</u>

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

	Number of accounts		Value	
	<u>2024</u>	<u>2023</u>	<u>2024</u> \$'000	<u>2023</u> \$'000
Professional and other services	14,351	12,649	5,478,604	2,788,533
Individuals	63,435	55,987	117,541,419	107,188,512
Corporations	<u>144</u>	<u>197</u>	<u>28,325,441</u>	<u>18,642,092</u>
	<u>77,930</u>	<u>68,833</u>	<u>151,345,464</u>	<u>128,619,137</u>

Loans and advances on which interest is no longer accrued [see note 39(q)] amounted to \$11,028,552,000 (2023: \$11,140,164,000). This represents 7.19% (2023: 8.42%) of the gross loan portfolio. These loans are included in the financial statements net of allowance for losses.

(b) Allowance for loan losses:

Impairment losses on loans are as follows:

	<u>2024</u> \$'000	<u>2023</u> \$'000
At beginning of year	3,310,140	2,402,932
Increase in allowance made		
during the year [note 35(b)(vi)]	1,738,470	811,943
Transfer from merger [note 40]	-	196,875
Write-offs during the year [note 35(b)(vi)]	<u>(2,978,180)</u>	<u>(101,610)</u>
At end of year [note 35(b)(vi)]	<u>2,070,430</u>	<u>3,310,140</u>

JN BANK LIMITED**Notes to the Financial Statements**
March 31, 2024**11. Loans, after allowances for impairment losses (continued)**

(b) Allowance for loan losses (continued):

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

	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
Allowance for expected credit losses based on IFRS	<u>2,070,430</u>	<u>3,310,140</u>
Regulatory provisions required to be made in accordance with Bank of Jamaica provisioning requirements, section 132 (1) are as follows:		
	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
Specific allowance	1,233,310	2,529,623
General allowance	<u>1,491,198</u>	<u>1,271,985</u>
	<u>2,724,508</u>	<u>3,801,608</u>

The total allowance is broken down as follows:

	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
Provision as per IFRS	2,070,430	3,310,140
Additional allowance recognised as a reserve in equity based on Bank of Jamaica requirements [note 28(b)]	<u>654,078</u>	<u>491,468</u>
	<u>2,724,508</u>	<u>3,801,608</u>

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

- (i) Included in mortgage loans are balances due from directors and companies controlled by directors amounting to \$158,795,000 (2023: \$100,511,000) and interest due on these loans of \$15,742 (2023: \$6,731).
- (ii) During the year the Bank purchased loans at fair value from JN Bank UK Limited amounting to J\$5.89b (2023: J\$1.92b) or GBP30.2M (2023: GBP10.3M). As at March 31, 2024 the carrying value of the portfolio was J\$7.3b (2023: J\$1.87b). In June 2024, the Bank pledge £11M of these loans as security for a loan issued to the ultimate parent.

12. Other assets

	<u>2024</u>	<u>2023*</u>
	\$'000	\$'000
Deposits on property and equipment	93,490	136,903
Other receivables [see (i) below]	244,313	314,286
Prepayments	1,590,253	1,089,042
Office supplies	<u>31,655</u>	<u>26,647</u>
	<u>1,959,711</u>	<u>1,566,878</u>

- (i) The Bank pledged other financial assets amounting to \$49,102,000 (2023: \$47,346,000) for bid collateral related to guarantees issued by other banks.

JN BANK LIMITED**Notes to the Financial Statements**
March 31, 2024**13. Assets held for sale**

	<u>2024</u> \$'000	<u>2023</u> \$'000
Foreclosed properties	-	490,376
Less impairment losses (see note below)	-	<u>(456,909)</u>
	<u>-</u>	<u>33,467</u>
Note: Movement on impairment losses is as follows:		
	<u>2024</u> \$'000	<u>2023</u> \$'000
At beginning of year	456,909	466,488
Write-off	<u>(456,909)</u>	<u>(9,579)</u>
At end of year	<u>-</u>	<u>456,909</u>

The Bank acquired real properties through foreclosure on collateral held as securities against loans. Foreclosed properties should be disposed of within 3 years of acquisition, in accordance with Section 53(1) of the Banking Services Act, 2014 [see note 39(h)]. Impairment loss of \$456,909,000 (2023: \$9,579,000) for write-downs of the assets held for sale to the lower of its carrying amount and its fair value less costs to sell have been included in "Operating Expenses" (see note 32).

14. Investment property

	\$'000	
Balance at March 31, 2022	735,000	
Change in fair value	<u>80,000</u>	
Balance at March 31, 2023	<u>815,000</u>	
Addition	210,000	
Transfer to property, plant and equipment (note 15)	(190,000)	
Disposal	(230,000)	
Change in fair value	<u>(43,921)</u>	
Balance at March 31, 2024	<u>561,079</u>	
	<u>2024</u> \$'000	<u>2023</u> \$'000
Income earned from the properties[see (i) below]	19,477	16,142
Expenses incurred by the properties	<u>9,271</u>	<u>13,328</u>

(i) Income earned from properties is included in sundry income in note 31(b).

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. Also, the valuers have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values.

JN BANK LIMITED**Notes to the Financial Statements
March 31, 2024****14. Investment property (continued)**

Measurement of fair value (continued):

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"> • Expected market rental growth yields (7%-8.5%) • Occupancy rate (75%-85%) • Risk adjusted discount rate (9%) 	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> • Expected market rental growth were higher/(lower); • The occupancy rates were higher/(lower); • Rent-free periods were shorter/(longer); or • Yields were lower/(higher)
<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**
March 31, 2024**15. 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, 2022	2,823,671	252,547	3,957,177	452,811	891,034	8,377,240
Additions/(transfer)	397,997	21,826	506,225	10,288	(718,407)	217,929
Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>(28,002)</u>	<u>-</u>	<u>(28,002)</u>
March 31, 2023	3,221,668	274,373	4,463,402	435,097	172,627	8,567,167
Additions	464,089	5,914	428,928	-	284,990	1,183,921
Transfer from investment property [note 14]	190,000	-	-	-	-	190,000
Disposals [note 18(a)(vi)]	<u>(1,245,665)</u>	<u>-</u>	<u>(70,590)</u>	<u>(50,240)</u>	<u>(127,484)</u>	<u>(1,493,979)</u>
March 31, 2024	<u>2,630,092</u>	<u>280,287</u>	<u>4,821,740</u>	<u>384,857</u>	<u>330,133</u>	<u>8,447,109</u>
Depreciation:						
March 31, 2022	744,236	220,904	2,866,028	413,764	-	4,244,932
Charge for the year	80,464	4,780	222,380	29,609	-	337,233
Eliminated on disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>(26,055)</u>	<u>-</u>	<u>(26,055)</u>
March 31, 2023	824,700	225,684	3,088,408	417,318	-	4,556,110
Charge for the year	80,564	5,704	260,207	17,060	-	363,535
Eliminated on disposals	<u>(685,455)</u>	<u>-</u>	<u>(23,550)</u>	<u>(49,691)</u>	<u>-</u>	<u>(758,696)</u>
March 31, 2024	<u>219,809</u>	<u>231,388</u>	<u>3,325,065</u>	<u>384,687</u>	<u>-</u>	<u>4,160,949</u>
Net book values:						
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>
March 31, 2023	<u>2,396,968</u>	<u>48,689</u>	<u>1,374,994</u>	<u>17,779</u>	<u>172,627</u>	<u>4,011,057</u>
March 31, 2022	<u>2,079,435</u>	<u>31,643</u>	<u>1,091,149</u>	<u>39,047</u>	<u>891,034</u>	<u>4,132,308</u>

Included in freehold land and buildings is the cost of land at \$98,058,000 (2023: \$98,058,000).

JN BANK LIMITED**Notes to the Financial Statements
March 31, 2024****16. Intangible assets**

	<u>Software</u> \$'000	Software development - <u>in progress</u> \$'000	<u>Total*</u> \$'000
Cost:			
March 31, 2022	2,042,967	1,089,758	3,132,725
Additions	78,000	1,052,843	1,130,843
Disposals	(900,546)	-	(900,546)
March 31, 2023	1,220,421	2,142,601	3,363,022
Additions	597,703	-	597,703
Transfers	<u>1,477,679</u>	<u>(1,477,679)</u>	-
March 31, 2024	<u>3,295,803</u>	<u>664,922</u>	<u>3,960,725</u>
Amortisation:			
March 31, 2022	1,273,786	-	1,273,786
Charge for the year	59,509	-	59,509
Eliminated on disposal	(273,055)	-	(273,055)
March 31, 2023	1,060,240	-	1,060,240
Charge for the year	<u>94,057</u>	-	<u>94,057</u>
March 31, 2024	<u>1,154,297</u>	-	<u>1,154,297</u>
Net book values:			
March 31, 2024	<u>2,141,506</u>	<u>664,922</u>	<u>2,806,428</u>
March 31, 2023	<u>160,181</u>	<u>2,142,601</u>	<u>2,302,782</u>
March 31, 2022	<u>769,181</u>	<u>1,089,758</u>	<u>1,858,939</u>

*Restated (See Note 42)

17. Deferred tax asset

	<u>Assets</u>		<u>Liabilities</u>		<u>Net</u>	
	<u>2024</u> \$'000	<u>2023</u> \$'000	<u>2024</u> \$'000	<u>2023</u> \$'000	<u>2024</u> \$'000	<u>2023</u> \$'000
Property and equipment	-	129,236	(51,085)	-	(51,085)	129,236
Employee benefits obligation	360,208	223,320	-	-	360,208	223,320
Other payables	40,173	70,281	-	-	40,173	70,281
Contractual savings reserve	-	-	(4,741)	(4,741)	(4,741)	(4,741)
Investments	2,475,725	2,341,686	-	-	2,475,725	2,341,686
ECL on investment debt securities at FVOCI	1,292	74	-	-	1,292	74
Impairment losses on loans	279,012	261,147	-	-	279,012	261,147
Right-of-use-assets	-	-	(233,356)	(96,269)	(233,356)	(96,269)
ECL on receivables	42,833	19,738	-	-	42,833	19,738
Lease liabilities	753,461	106,468	-	-	753,461	106,468
Tax losses	63,448	-	-	-	63,448	-
Fair value acquired loan portfolio	-	-	(14,950)	(45,926)	(14,950)	(45,926)
Unrealised foreign exchange gains/(losses)	<u>33,763</u>	-	-	(26,311)	<u>33,763</u>	(26,311)
Net deferred tax asset	<u>4,049,915</u>	<u>3,151,950</u>	<u>(304,132)</u>	<u>(173,247)</u>	<u>3,745,783</u>	<u>2,978,703</u>

JN BANK LIMITED**Notes to the Financial Statements
March 31, 2024****17. Deferred tax asset (continued)**

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

	2024			
	Balances at <u>April 1, 2023</u> \$'000	Recognised <u>in profit</u> \$'000	Recognised in other <u>comprehensive income</u> \$'000	Balances at <u>March 31, 2024</u> \$'000
Property and equipment	129,236	(180,321)	-	(51,085)
Employee benefits obligation	223,320	32,096	104,792	360,208
Other payables	70,281	(30,108)	-	40,173
Contractual savings reserve	(4,741)	-	-	(4,741)
Investments	2,341,686	202,577	(68,538)	2,475,725
ECL on investment debt securities at FVOCI	74	1,218	-	1,292
Impairment losses on loans	261,147	17,865	-	279,012
Right-of-use-assets	(96,269)	(137,087)	-	(233,356)
ECL on receivables	19,738	23,095	-	42,833
Lease liabilities	106,468	646,993	-	753,461
Tax losses	-	63,448	-	63,448
Fair value acquired loan portfolio	(45,926)	30,976	-	(14,950)
Unrealised foreign exchange losses	(26,311)	<u>60,074</u>	<u>-</u>	<u>33,763</u>
	<u>2,978,703</u>	<u>730,826</u>	<u>36,254</u>	<u>3,745,783</u>
	2023			
	Balances at <u>April 1, 2022</u> \$'000	Recognised <u>in profit</u> \$'000	Recognised in other <u>comprehensive income</u> \$'000	Balances at <u>March 31, 2023</u> \$'000
Property and equipment	243,311	(114,075)	-	129,236
Employee benefits obligation	399,986	59,375	(236,041)	223,320
Other payables	47,195	23,086	-	70,281
Contractual savings reserve	(4,741)	-	-	(4,741)
Investments	896,786	581,874	863,026	2,341,686
ECL on investment debt securities at FVOCI	3,593	(3,519)	-	74
Impairment losses on loans	578,474	(317,327)	-	261,147
Right-of-use-assets	(98,769)	2,500	-	(96,269)
ECL on receivables	24,130	(4,392)	-	19,738
Lease liabilities	108,078	(1,610)	-	106,468
Fair value acquired loan portfolio	(40,173)	(5,753)	-	(45,926)
Unrealised foreign exchange gains	<u>38,339</u>	<u>(64,650)</u>	<u>-</u>	<u>(26,311)</u>
	<u>2,196,209</u>	<u>155,509</u>	<u>626,985</u>	<u>2,978,703</u>

Movement in temporary differences during the year:

	<u>2024</u> \$'000	<u>2023</u> \$'000
Net deferred tax asset at beginning of year	2,978,703	2,196,209
Recognised in other comprehensive income:		
Deferred tax adjustment on FVOCI investment securities and ECL on investment debt securities at FVOCI	(68,538)	863,026
Employee benefits obligation	<u>104,792</u>	<u>(236,041)</u>
	<u>36,254</u>	<u>626,985</u>
	3,014,957	2,823,194
Recognised in profit [note 33(a)(ii)]	<u>730,826</u>	<u>155,509</u>
Net deferred tax asset at end of year	<u>3,745,783</u>	<u>2,978,703</u>

JN BANK LIMITED**Notes to the Financial Statements**
March 31, 2024**18. Leases**

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

The Bank has elected not to recognise right-of-use assets and lease liabilities for short-term leases with contract terms of less than one year.

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, 2022	482,913	79,520	49,872	612,305
Additions	<u>-</u>	<u>83,934</u>	<u>14,146</u>	<u>98,080</u>
March 31, 2023	482,913	163,454	64,018	710,385
Additions	538,932	13,911	18,059	570,902
Write- offs	<u>(121,948)</u>	<u>(46,798)</u>	<u>-</u>	<u>(168,746)</u>
March 31, 2024	<u>899,897</u>	<u>130,567</u>	<u>82,077</u>	<u>1,112,541</u>
Depreciation:				
March 31, 2022	240,455	61,761	13,783	315,999
Charge for the year	<u>59,336</u>	<u>35,062</u>	<u>11,153</u>	<u>105,551</u>
March 31, 2023	299,791	96,823	24,936	421,550
Charge for the year	114,229	30,628	15,212	160,069
Write- offs	<u>(122,419)</u>	<u>(46,798)</u>	<u>-</u>	<u>(169,217)</u>
March 31, 2024	<u>291,601</u>	<u>80,653</u>	<u>40,148</u>	<u>412,402</u>
Net book values:				
March 31, 2024	<u>608,296</u>	<u>49,914</u>	<u>41,929</u>	<u>700,139</u>
March 31, 2023	<u>183,122</u>	<u>66,631</u>	<u>39,082</u>	<u>288,835</u>
March 31, 2022	<u>242,458</u>	<u>17,759</u>	<u>36,089</u>	<u>296,306</u>

(ii) Lease liabilities

	<u>2024</u> \$'000	<u>2023</u> \$'000
Lease liabilities included in the statement of financial position	<u>2,260,608</u>	<u>319,437</u>
Lease liabilities are classified as follows:		
Current	393,161	74,958
Non-current	<u>1,867,447</u>	<u>244,479</u>
	<u>2,260,608</u>	<u>319,437</u>
Maturity analysis of contractual undiscounted cash flows:		
Less than one year	598,068	87,546
One to two years	616,004	77,121
Two to five years	624,433	67,495
More than five years	<u>986,962</u>	<u>119,288</u>

JN BANK LIMITED**Notes to the Financial Statements**
March 31, 2024**18. Leases (continued)**

(a) (Continued)

(iii) Amounts recognised in profit or loss

	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
Interest expense on lease liabilities	113,169	17,687
Depreciation on right-of-use assets (note 32)	<u>160,069</u>	<u>105,551</u>

(iv) Amounts recognised in statement of cash flows:

	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
Total cash outflow for leases	<u>362,962</u>	<u>120,565</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 Bank assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Bank reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control. The estimated potential future lease payments, should the option be exercised, would result in a lease liability \$33,194,000 (2023: \$29,763,000).

(vi) On September 28, 2023, the Bank entered into a sale and leaseback agreement with a third party to sell and leased back twenty-two (22) of its properties. The properties had a fair value of \$4.55b. The Bank recognised a gain of \$1.93b from the transaction (see note 31).

(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>2024</u>	<u>2023</u>
	\$'000	\$'000
Less than one year	23,085	83,170
One to five years	<u>162,561</u>	<u>129,943</u>
Total	<u>185,646</u>	<u>213,113</u>

Rental income recognised by the Bank during the year ended March 31, 2024 was \$9,271,000 (2023: \$16,142,000).

JN BANK LIMITED**Notes to the Financial Statements**
March 31, 2024**19. Customer deposits**

	<u>2024</u> \$'000	<u>2023</u> \$'000
Deposits	199,999,106	181,240,106
Accrued interest	<u>722,084</u>	<u>322,047</u>
	<u>200,721,190</u>	<u>181,562,153</u>

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

	<u>2024</u> \$'000	<u>2023</u> \$'000
Within 3 months (including on demand or short notice)	178,840,908	163,206,718
From 3 months to 1 year	20,247,828	15,072,299
Over 1 year	<u>1,632,454</u>	<u>3,283,136</u>
	<u>200,721,190</u>	<u>181,562,153</u>

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

	<u>Number of accounts</u>		<u>Value</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u> \$'000	<u>2023</u> \$'000
Public authorities	624	661	4,850,209	3,243,788
Financial institutions	370	299	14,915,174	9,708,334
Commercial and business	9,865	9,821	16,148,189	14,692,232
Individuals	<u>1,152,188</u>	<u>1,089,177</u>	<u>164,807,618</u>	<u>153,917,799</u>
	<u>1,163,047</u>	<u>1,099,958</u>	<u>200,721,190</u>	<u>181,562,153</u>

20. Securities sold under repurchase agreements

	<u>2024</u> \$'000	<u>2023</u> \$'000
Principal	17,719,861	15,465,366
Interest payable	<u>263,679</u>	<u>100,048</u>
	<u>17,983,540</u>	<u>15,565,414</u>

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

	<u>2024</u> \$'000	<u>2023</u> \$'000
Within 3 months	13,219,697	13,967,311
From 3 months to 1 year	<u>4,500,164</u>	<u>1,498,055</u>
	<u>17,719,861</u>	<u>15,465,366</u>

JN BANK LIMITED**Notes to the Financial Statements**
March 31, 2024**20. Securities sold under repurchase agreements (continued)**

At the reporting date, securities obtained under resale agreements and USD Global bonds were pledged by the Bank as collateral for repurchase agreements. These financial instruments have a carrying value of \$22,027,996,000 (2023: \$19,538,802,000).

21. Other payables

	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
Staff related accrual	409,513	318,290
Insurance payable	287,341	253,681
Trade payables	552,964	363,507
Other payables	917,592	361,800
Collected funds [see (i) below]	<u>694,619</u>	<u>575,581</u>
	<u>2,862,029</u>	<u>1,872,859</u>

(i) Collected funds include amounts collected from customers on behalf of related entities amounting to \$609,114,000 (2023: \$478,881,000) [see note (9)(c)(ii)].

22. Margin loan payable

Margin loan payable represents a short-term debt facility provided by a brokerage firm to the Bank to acquire securities on its own account. At year end, this amounted to \$2,216,038,000 (2023: \$2,086,715,000). The facility bears interest at 6.5% (2023: 6%) per annum. During the year, the Bank pledged global bonds amounting to US\$15M (2023: US\$15M) for the margin loan facility.

23. Employee benefits obligation

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 34).

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 for the extent of their annual pension. The provider of the Group Life Coverage is Sagicor Limited. The Plans for both schemes are administered by the Bank along with the staff schemes. Entry and exit into the schemes are facilitated by the Compensation and Benefits department of the Bank.

JN BANK LIMITED**Notes to the Financial Statements**
March 31, 2024**23. Employee benefits obligation (continued)**

The risks are minimal and there is a process that is followed in assigning the benefits which can accrue from normal retirement, early retirement, special approval as provided by the Pension Scheme rules.

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

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

	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
Present value of unfunded obligations	<u>1,080,733</u>	<u>670,027</u>

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

	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
Present value of unfunded obligations and supplementary benefit at beginning of year	670,027	1,199,957
Benefits paid	(13,982)	(15,262)
Current service cost	24,116	74,223
Interest cost	86,195	119,233
Actuarial (gain)/loss arising from:		
Experience adjustments	(19,279)	(35,560)
Demographic assumption	(7,167)	96,540
Financial assumptions	<u>340,823</u>	<u>(769,104)</u>
Balance at end of year	<u>1,080,733</u>	<u>670,027</u>

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

	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
Current service cost	24,116	74,223
Interest cost on obligation	<u>86,195</u>	<u>119,233</u>
	<u>110,311</u>	<u>193,456</u>

(d) Items recognised in other comprehensive income:

	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
Remeasurement loss/(gain) on obligation	<u>314,377</u>	<u>(708,124)</u>

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

	<u>2024</u>	<u>2023</u>
	%	%
Discount rate at March 31	10.5	13.0
Health cost inflation rate	6.5	5.5
Interest on contributions	<u>10.5</u>	<u>13.0</u>

JN BANK LIMITED**Notes to the Financial Statements**
March 31, 2024**23. Employee benefits obligation (continued)**

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

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

	<u>2024</u>		<u>2023</u>	
	Increase %	Decrease %	Increase %	Decrease %
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Discount rate	(152,160)	198,730	(96,068)	122,404
Health inflation rate	205,104	(134,268)	102,488	(81,465)
Interest on contributions	<u>37,261</u>	<u>(27,780)</u>	<u>17,389</u>	<u>(14,395)</u>

- (g) At March 31, 2024, the weighted average duration of the defined benefit obligation was 20.7 years (2023: 17.5 years).
- (h) As mortality continues to improve, estimates of life expectancy are expected to increase. An increase of one year in life expectancy will increase the employee benefits obligation by approximately \$30,781,000 (2023: \$15,642,000) while a decrease of one year in life expectancy will result in a decrease in the employee benefits obligation by approximately \$11,786,000 (2023: \$10,067,000). Assumptions regarding future longevity have been based on published statistics and mortality tables. The current longevity underlying the values of the defined benefit obligation at the reporting date is 65 years.

24. Due to specialised financial institutions

	<u>2024</u>	<u>2023</u>
	<u>\$'000</u>	<u>\$'000</u>
National Housing Trust (NHT) (i)	2,406,964	1,821,123
The National Export-Import Bank (EXIM) (ii)	301,254	461,429
Development Bank of Jamaica (DBJ) (iii)	<u>878</u>	<u>5,903</u>
	<u>2,709,096</u>	<u>2,288,455</u>

- (i) The NHT, in pursuance of its statutory function to, inter alia, make available to its contributors' loans to assist in the purchase, building, maintenance, repair or improvement of houses and 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.
- (ii) The EXIM loan facility is available for on-lending to qualified Micro and Small and Medium sized Enterprise (MSME). Loans distributed under this facility are for a period of forty-eight (48) months.
- (iii) The terms of the agreement is to offer funds for on-lending to qualified sub-borrowers in the Micro Small and Medium sized Enterprise (MSME) Sectors for eligible projects.

JN BANK LIMITED**Notes to the Financial Statements**
March 31, 2024**25. Share capital**

Issued and fully paid:

	<u>Number of units ('000)</u>		<u>Carrying value (\$'000)</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Ordinary shares	<u>4,511,000</u>	<u>4,511,000</u>	<u>11,511,000</u>	<u>11,511,000</u>

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

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.

26. 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.

27. Contractual savings reserve

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

28. Other reserves

	<u>2024</u>	<u>2023</u>
	<u>\$'000</u>	<u>\$'000</u>
		Restated*
Retained earnings reserve [see note 29]	7,123,000	7,123,000
Investment revaluation reserve [see (a)]	(3,882,551)	(4,019,526)
Credit loss reserve [see (b)]	654,078	491,468
Other	<u>16,356</u>	<u>16,356</u>
	<u>3,910,883</u>	<u>3,611,298</u>

*See Note 42

- (a) This represents unrealised losses on the revaluation of investments classified as FVOCI, net of deferred taxes and expected credit losses.
- (b) This is a non-distributable reserve representing the excess of regulatory and other provisions over the IFRS provision for loan losses (note 11).

JN BANK LIMITED**Notes to the Financial Statements**
March 31, 2024**29. Retained earnings reserve**

The Banking Services Act, 2014 permits transfers from the Bank's net profit to retained earnings reserve, which constitutes a part of the capital base. Transfers to the retained earnings reserve are made at the discretion of the Board of Directors. Such transfers must be notified to Bank of Jamaica and any reversal must be approved by Bank of Jamaica (note 28).

30. Interest expense

	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
Customer deposits	2,282,104	1,508,942
Specialised financial institutions	56,010	57,733
Securities sold under repurchase agreements	1,169,990	801,683
Long-term loan	16,504	113,976
Other	<u>133,397</u>	<u>104,612</u>
	<u>3,658,005</u>	<u>2,586,946</u>

31. Other operating income**(a) Fees and commission**

	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
<i>Income under IFRS 15 recognised over time:</i>		
Commission income	1,279	1,385
<i>Income under IFRS 15 recognised at a point in time:</i>		
Transaction fees	955,699	879,197
Loan fees	<u>838,321</u>	<u>643,035</u>
	<u>1,795,299</u>	<u>1,523,617</u>

(b) Sundry income

	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
<i>Income under IFRS 15 recognised over time:</i>		
Management fees	342,899	316,648
<i>Other sundry income:</i>		
Realised gains on foreign exchange trading	1,814,550	1,983,618
Dividends	51,797	27,720
Rental income	84,319	81,031
Bad debt recoveries	78,132	85,363
Mortgage indemnity insurance	-	108,863
Gain on disposal of property and equipment [note 18(a)(vi)]	1,935,894	7,486
Gain on disposal of foreclosed properties	135	6,101
Gain on NHT loan sale [see (i) below]	-	943,222
Gain on loan modification	185,153	-
Other	<u>139,487</u>	<u>34,787</u>
	<u>4,632,366</u>	<u>3,594,839</u>
Total other operating income	<u>6,427,665</u>	<u>5,118,456</u>

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

JN BANK LIMITED**Notes to the Financial Statements**
March 31, 2024**32. Operating expenses**

	<u>2024</u> \$'000	<u>2023</u> \$'000
Administrative	5,659,150	4,852,674
Advertising and promotion	330,520	259,400
Audit fees	84,542	93,173
Additional prior year audit fees	14,123	-
Non audit fees	4,637	5,561
Write-off of other assets [see (a)]	198,167	124,926
Depreciation and amortisation (notes 15 and 16)	457,592	396,742
Depreciation of right-of-use-assets [note 18(a)(iii)]	160,069	105,551
Directors' fees	25,479	25,850
Directors' remuneration	41,109	41,970
Employee costs (note 34)	5,836,992	5,809,035
Management fees	2,068,351	1,697,845
Legal and other professional fees	<u>1,986,073</u>	<u>1,258,833</u>
	<u>16,866,804</u>	<u>14,671,560</u>

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

33. Taxation

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

	<u>2024</u> \$'000	<u>2023</u> \$'000
(i) Current tax expense:		
Income tax	-	736,181
Changes in estimates related to prior year	(63,080)	-
	<u>(63,080)</u>	<u>736,181</u>
(ii) Deferred taxation (note 17):		
Origination and reversal of temporary differences	(667,378)	(155,509)
Unused tax losses	(63,448)	-
	<u>(730,826)</u>	<u>(155,509)</u>
Total taxation in statement of profit or loss	<u>(793,906)</u>	<u>580,672</u>

(b) Reconciliation of effective tax charge:

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 a credit of 169.67% (2023: charge of 39.18%). The actual charge differs from the "expected" tax charge for the year as follows:

JN BANK LIMITED**Notes to the Financial Statements**
March 31, 2024**33. Taxation (continued)**

(b) Reconciliation of effective tax charge (continued):

	<u>2024</u> \$'000	<u>2023</u> \$'000 Restated*
Profit before taxation	<u>467,925</u>	<u>1,482,211</u>
Computed "expected" tax charge at 15%	7,438	3,223
Computed "expected" tax charge at 33½%	<u>155,975</u>	<u>494,071</u>
Total "expected" tax charge	163,413	497,294
Tax effect of difference between profit for financial statements and tax reporting purposes on -		
Depreciation charge and capital allowances	121,009	76,805
(Gain)/loss on disposal of property and equipment	(645,298)	3,482
Unfranked and exempt income	(30,836)	(79,869)
Loss on disposal of investments	4,961	354
Disallowed expenses, net	(280,627)	(121,982)
Tax losses carried forward	(63,448)	-
Changes in estimates relating to prior years	<u>(63,080)</u>	<u>204,588</u>
Actual tax (credit)/charge	<u>(793,906)</u>	<u>580,672</u>

- (i) At March 31, 2024, taxation losses, subject to agreement by the Commissioner General, Tax Administration Jamaica, available for set-off against future taxable profits, amounted to approximately \$190,364,000 (2023: \$Nil). 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.

*See Note 42

34. Employee costs

	<u>2024</u> \$'000	<u>2023</u> \$'000
Salaries	4,123,815	3,962,656
Pension, group life and health contributions	414,548	485,122
Statutory payroll contributions	522,168	503,760
Staff welfare	352,855	433,473
Other	<u>423,606</u>	<u>424,024</u>
	<u>5,836,992</u>	<u>5,809,035</u>

35. 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.

JN BANK LIMITED**Notes to the Financial Statements**
March 31, 2024**35. Financial risk management (continued)****(a) Overview (continued)**

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. During the year a decision was made to dissolve the JN Bank Board Finance Committee (BFC), and as such matters for the attention of the Committee are discussed at the Bank’s Board and at the JN Financial Group Limited Board Risk Committee meetings. The previously Board established committees namely Asset and Liability Committee (ALCO) and the Audit Committee remain in effect with responsibilities for developing and monitoring risk management policies in their specified areas. The Audit Committee has 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.

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

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

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

(b) Credit risk:

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

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

JN BANK LIMITED**Notes to the Financial Statements
March 31, 2024****35. Financial risk management (continued)**

(b) Credit risk (continued):

Credit risk measurement

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

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

Credit risk grading

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

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

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

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

JN BANK LIMITED**Notes to the Financial Statements
March 31, 2024****35. Financial risk management (continued)**

(b) Credit risk (continued):

Credit risk measurement (continued)

(ii) Investments

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

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

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

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

Bank rating	TTC PD as a percentage (Corporate)	TTC PD as a percentage (Sovereign)	S & P	Moody's	Description of Grade
1	0.03%	0.00%	AAA	Aaa	Investment Grade
2	0.10%	0.00%	AA+	Aa1	
3	0.10%	0.00%	AA	Aa2	
4	0.10%	0.00%	AA-	Aa3	
5	0.10%	0.01%	A+	A1	
6	0.10%	0.01%	A	A2	
7	0.10%	0.01%	A-	A3	
8	0.20%	0.08%	BBB+	Baa1	
9	0.20%	0.08%	BBB	Baa2	
10	0.20%	0.08%	BBB-	Baa3	
11	1.10%	0.42%	BB+	Ba1	Speculative grade
12	1.10%	0.42%	BB	Ba2	
13	1.10%	0.42%	BB-	Ba3	
14	3.00%	2.44%	B+	B1	
15	3.00%	2.44%	B	B2	
16	3.00%	2.44%	B-	B3	
17	6.80%	12.61%	CCC+	Caa1	
18	6.80%	12.61%	CCC	Caa2	
19	6.80%	12.61%	CCC-	Caa3	
20	25.00%	12.61%	CC	Ca	
21	25.00%	12.61%	C	C to D	Default
22	100.00%	100.00%	D		
23	100.00%	100.00%	SD		

JN BANK LIMITED**Notes to the Financial Statements
March 31, 2024****35. Financial risk management (continued)**

(b) Credit risk (continued):

Expected credit loss measurement

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

Stage 1:

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

Stage 2:

If a significant increase in credit risk (‘SICR’) since initial recognition is identified, the financial instrument is moved to ‘Stage 2’ but is not yet deemed to be credit-impaired.

Stage 3:

Purchased or originated credit-impaired (POCI) financial assets are those financial assets that are credit-impaired on initial recognition. A POCI financial asset, or a financial asset for which there has been a significant deterioration in the credit-worthiness of the borrower or issuer such that the credit is determined to be impaired, is classified as Stage 3.

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

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

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

JN BANK LIMITED**Notes to the Financial Statements**
March 31, 2024**35. Financial risk management (continued)**

(b) Credit risk (continued):

Expected credit loss measurement (continued)

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

(i) Significant increase in credit risk (SICR)

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

- 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. As the Caribbean region has not yet adopted Basel III guidelines, development of PDs has not been required.

Investments

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

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

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

JN BANK LIMITED**Notes to the Financial Statements**
March 31, 2024**35. Financial risk management (continued)**

(b) Credit risk (continued):

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

Investments (continued)

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

Backstop:

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

The Bank has used the low credit risk exemption for intra-group exposures in the year ended March 31, 2024 based on historical loss experience.

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

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

- 1) The borrower is more than 90 days past due on its contractual payments.
- 2) The borrower meets unlikeliness-to-pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:
 - The borrower is in long-term forbearance;
 - The borrower is deceased;
 - The borrower is insolvent;
 - The borrower is in breach of financial covenant(s);
 - An active market for that financial asset has disappeared because of financial difficulties;
 - Concessions have been made by the lender relating to the borrower's financial difficulty;
 - It is becoming probable that the borrower will enter bankruptcy;
 - Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

JN BANK LIMITED**Notes to the Financial Statements**
March 31, 2024**35. Financial risk management (continued)**

(b) Credit risk (continued):

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

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

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

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

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

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Bank includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- Loss Given Default (LGD) represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD).

JN BANK LIMITED**Notes to the Financial Statements**
March 31, 2024**35. Financial risk management (continued)**

(b) Credit risk (continued):

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

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

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

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

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

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

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

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

JN BANK LIMITED**Notes to the Financial Statements**
March 31, 2024**35. Financial risk management (continued)**

(b) Credit risk (continued):

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

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

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

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

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

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

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

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

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

JN BANK LIMITED**Notes to the Financial Statements**
March 31, 2024**35. Financial risk management (continued)**

(b) Credit risk (continued):

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

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

Economic variable assumptions

The most significant period-end assumptions used for the ECL estimate as at March 31, 2024 are set out below. The scenarios "base", "upside" and "downside" were used for all portfolios.

The weightings assigned to each economic scenario were as follows:

	Base	Upside	Downside
March 31, 2024			
Loans	50%	30%	20%
Investments	60%	30%	10%
March 31, 2023			
Loans	60%	30%	10%
Investments	<u>10%</u>	<u>10%</u>	<u>80%</u>

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

Management used the Vasicek model to apply forward-looking information.

JN BANK LIMITED**Notes to the Financial Statements
March 31, 2024****35. Financial risk management (continued)**

(b) Credit risk (continued):

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

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

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

Annual projections of these variables were incorporated for the period 2023-2028. All variables - indicated moderate correlation to the Bank's NPL ratios. These variables were weighted and included in the Bank's Vasicek Model. Linear regression analyses were performed under the different scenarios of base, best and worst cases in the Vasicek Model to determine the standardized Z Scores. The unstandardized Z Scores were then determined by multiplying the standard deviation of the NPL ratios and adding the mean of the NPL ratios over the period 2010 – 2028. The unstandardized Z scores were then weighted by each economic variable to determine the overall Z Scores for each scenario. The Z Scores for each economic scenario were then calibrated to the Through the Cycle (TTC) PDs to determine the Point in Time (PIT) PDs.

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

Probability Weighted Scenarios						
Base Case						
Macro Variables	Z score (standardized)	Z score	Sector DR	Weighting	Z score Weighted	
Real GDP	-0.123	-0.329	4.062%	2.97%	-0.010	
Unemployment rate	0.456	-0.099	3.327%	36.67%	-0.036	
Inflation rate	-1.300	-0.796	5.958%	26.46%	-0.211	
Interest rate	-0.195	-0.357	4.161%	33.91%	-0.121	
						-0.37773
Best Case						
Macro Variables	Z score (standardized)	Z score	Sector DR	Weighting	Z score Weighted	
Real GDP	0.221	-0.192	3.611%	2.97%	-0.006	
Unemployment rate	1.138	0.173	2.606%	36.67%	0.063	
Inflation rate	0.748	0.018	3.000%	26.46%	0.005	
Interest rate	0.368	-0.133	3.431%	33.91%	-0.045	
						0.01710
Worst Case						
Macro Variables	Z score (standardized)	Z score	Sector DR	Weighting	Z score Weighted	
Real GDP	-0.617	-0.525	4.787%	2.97%	-0.016	
Unemployment rate	-1.041	-0.694	5.492%	36.67%	-0.254	
Inflation rate	-1.300	-0.796	5.958%	26.46%	-0.211	
Interest rate	-0.195	-0.357	4.161%	33.91%	-0.121	

JN BANK LIMITED**Notes to the Financial Statements**
March 31, 2024**35. Financial risk management (continued)**

(b) Credit risk (continued):

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

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

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

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

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

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

(vi) Management of credit risk

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

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

Counterparty credit risk

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

JN BANK LIMITED**Notes to the Financial Statements**
March 31, 2024**35. Financial risk management (continued)**

(b) Credit risk (continued):

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

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

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the customer's financial position and where the Bank has made concessions that it would not otherwise consider. Once the loan is restructured, it remains in this category irrespective of satisfactory performance after restructuring. At March 31, 2024, the outstanding principal balances on loans that were restructured amounted to \$3,577,394,000 (2023: \$1,297,355,000). The amortised cost before the modification, the net modification gain recognised, and the loss allowance measured at an amount equal to lifetime expected credit losses and for which the loss allowance has changed during the year to an amount equal to 12-month expected credit losses are as follows:

	<u>2024</u>	<u>2023</u>
	\$'000	\$'000
Amortised cost before modification	2,351,126	402,423
Net modification gain	185,135	62,629
Loss allowance changed to an amount equal to 12-month ECL	<u>12,505</u>	<u>11,308</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.

Allowances for impairment

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

JN BANK LIMITED**Notes to the Financial Statements**
March 31, 2024**35. Financial risk management (continued)**

(b) Credit risk (continued):

Expected credit loss measurement (continued)**(vi) Management of credit risk (continued)***Write-off policy*

The Bank writes off credits to borrowers (and any related allowances for impairment losses) when it determines that the balances are 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.

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

Concentration by class and geographical area

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

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

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

	<u>2024</u> \$'000	<u>2023</u> \$'000
Jamaica	220,022,669	204,271,386
United States of America	8,643,654	6,460,175
United Kingdom	12,405,830	8,144,939
Canada	2,117,148	1,727,751
Cayman Islands	<u>701,725</u>	<u>656,876</u>
	<u>243,891,026</u>	<u>221,261,127</u>

JN BANK LIMITED**Notes to the Financial Statements**
March 31, 2024**35. Financial risk management (continued)**

(b) Credit risk (continued):

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

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

	<u>2024</u> \$'000	<u>2023</u> \$'000
Neither past due nor impaired	128,205,567	112,844,882
Past due but not impaired:		
Below 30 days	14,558,133	9,486,915
30 to 60 days	5,449,632	3,078,058
60 to 90 days	1,596,811	1,429,182
Individually impaired:		
90-180 days	1,657,200	1,284,384
180-365 days	1,293,302	854,300
12-18 months	516,820	731,648
18 months and over	138,429	2,219,908
Less allowance for losses (note 11)	<u>(2,070,430)</u>	<u>(3,310,140)</u>
	<u>151,345,464</u>	<u>128,619,137</u>

Exposure to credit risk

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

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

JN BANK LIMITED**Notes to the Financial Statements**
March 31, 2024**35. Financial risk management (continued)**

(b) Credit risk (continued):

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

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

	12-month PD ranges	Loans			
		2024			
		Stage 1 \$'000	Stage 2 \$'000	Stage 3 \$'000	Total \$'000
Credit grade					
Standard monitoring	0%-5.35%	143,106,258	-	-	143,106,258
Special monitoring	5.36%--99.99%	-	16,595,585	-	16,595,585
Default	100%	-	-	3,720,953	3,720,953
Gross carrying amount		143,106,258	16,595,585	3,720,953	163,422,796
Loss allowance (note 11)		(1,219,348)	(219,739)	(631,343)	(2,070,430)
Net carrying amount		<u>141,886,910</u>	<u>16,375,846</u>	<u>3,089,610</u>	<u>161,352,366</u>
Ageing of loans receivable					
Current		119,970,644	7,975,103	97,627	128,043,374
Past due 1-30 days		13,219,219	1,418,178	3,661	14,641,058
Past due 31-60 days		-	5,624,992	22,090	5,647,082
Past due 61-89 days		-	1,506,604	13,665	1,520,269
90 days and over		-	-	3,564,111	3,564,111
Gross carrying amount		133,189,863	16,524,877	3,701,154	153,415,894
Loss allowance		(1,176,436)	(212,155)	(631,342)	(2,019,933)
		132,013,427	16,312,722	3,069,812	151,395,961
Loan and credit commitments		9,916,396	70,708	19,798	10,006,902
Loss allowance		(42,913)	(7,584)	-	(50,497)
Net carrying amount		<u>141,886,910</u>	<u>16,375,846</u>	<u>3,089,610</u>	<u>161,352,366</u>

JN BANK LIMITED**Notes to the Financial Statements
March 31, 2024****35. Financial risk management (continued)**

(b) Credit risk (continued):

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

	12-month PD ranges	Loans			
		2023			
		Stage 1 \$'000	Stage 2 \$'000	Stage 3 \$'000	Total \$'000
Credit grade					
Standard monitoring	0% - 5.63%	126,280,411	-	-	126,280,411
Special monitoring	5.64% - 99.99%	-	7,761,402	-	7,761,402
Default	100%	-	-	5,265,469	5,265,469
Gross carrying amount		126,280,411	7,761,402	5,265,469	139,307,282
Loss allowance (note 11)		(1,099,143)	(158,000)	(2,052,997)	(3,310,140)
Net carrying amount		<u>125,181,268</u>	<u>7,603,402</u>	<u>3,212,472</u>	<u>135,997,142</u>
Ageing of loans receivable					
Current		110,954,807	1,678,430	223,510	112,856,747
Past due 1-30 days		8,014,167	1,608,625	14,113	9,636,905
Past due 31-60 days		-	3,200,593	925	3,201,518
Past due 61-89 days		-	1,233,420	676	1,234,096
90 days and over		-	-	5,000,011	5,000,011
Gross carrying amount		118,968,974	7,721,068	5,239,235	131,929,277
Loss allowance		(1,061,744)	(152,443)	(2,051,639)	(3,265,826)
		117,907,230	7,568,625	3,187,596	128,663,451
Loan and credit card commitments		7,311,437	40,334	26,234	7,378,005
Loss allowance		(37,399)	(5,557)	(1,358)	(44,314)
Net carrying amount		<u>125,181,268</u>	<u>7,603,402</u>	<u>3,212,472</u>	<u>135,997,142</u>

Information on how the expected credit loss (ECL) is measured and how the three stages above are determined is included in note 35(b)(iv).

Collateral and other credit enhancements held against financial assets

The Bank holds collateral against credits to borrowers primarily in the form of mortgage interests over properties. Estimates of the fair value of collateral are based on the value of such collateral assessed at the time of borrowing and are generally not updated except when the properties are to be sold.

In determining the expected credit loss, the recovery amounts from the collateral is estimated based on actual sales experience.

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

JN BANK LIMITED**Notes to the Financial Statements**
March 31, 2024**35. 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	
	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
Against neither past due nor impaired financial assets:				
Properties	130,843,354	133,961,252	-	-
Debt securities	9,065,267	7,394,538	4,213,145	921,199
Hypothecation of deposits	2,546,590	2,290,469	-	-
Subtotal	<u>142,455,211</u>	<u>143,646,259</u>	<u>4,213,145</u>	<u>921,199</u>
Against past due but not impaired financial assets:				
Properties	34,220,849	25,334,909	-	-
Hypothecation of deposits	459,953	368,699	-	-
Liens on motor vehicles	1,300,237	839,843	-	-
Subtotal	<u>35,981,039</u>	<u>26,543,451</u>	<u>-</u>	<u>-</u>
	<u>178,436,250</u>	<u>170,189,710</u>	<u>4,213,145</u>	<u>921,199</u>
Against past due and impaired financial assets:				
Properties	7,225,636	4,371,743	-	-
Hypothecation of deposits	2,603	601	-	-
Liens on motor vehicles	257,792	183,550	-	-
Subtotal	<u>7,486,031</u>	<u>4,555,894</u>	<u>-</u>	<u>-</u>
Grand total	<u>185,922,281</u>	<u>174,745,604</u>	<u>4,213,145</u>	<u>921,199</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**
March 31, 2024**35. 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:

	2024			
	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
	\$'000	\$'000	\$'000	\$'000
Credit-impaired assets				
Loans				
- Credit cards	100,409	(60,575)	39,834	-
- Term loans	1,086,945	(488,940)	598,005	257,791
- Mortgages	2,484,059	(56,840)	2,427,219	7,228,240
- Other	49,540	(24,988)	24,552	-
Total credit-impaired assets	3,720,953	(631,343)	3,089,610	7,486,031
	2023			
	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
	\$'000	\$'000	\$'000	\$'000
Credit-impaired assets				
Loans				
- Credit cards	103,980	(59,687)	44,293	-
- Term loans	3,176,587	(1,928,158)	1,248,429	183,550
- Mortgages	1,953,765	(53,459)	1,900,306	4,371,743
- Other	31,137	(11,693)	19,444	-
Total credit-impaired assets	5,265,469	(2,052,997)	3,212,472	4,555,293

JN BANK LIMITED**Notes to the Financial Statements**
March 31, 2024**35. 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>2024</u> \$'000	<u>2023</u> \$'000
Loans (note 11)	1,738,470	811,943
Investment securities – at FVOCI	(86,613)	(11,419)
Investment securities – at amortised cost	<u>3,479</u>	<u>(8,589)</u>
	<u>1,655,336</u>	<u>791,935</u>

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

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

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

JN BANK LIMITED**Notes to the Financial Statements**
March 31, 2024**35. Financial risk management (continued)**

(b) Credit risk (continued):

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

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

Loans	2024				Total \$'000
	Stage 1	Stage 2	Stage 3	Purchased	
	12-month ECL \$'000	Lifetime ECL \$'000	Lifetime ECL \$'000	credit- impaired \$'000	
Loss allowance as at April 1, 2023	<u>1,099,143</u>	<u>158,000</u>	<u>1,764,913</u>	<u>288,084</u>	<u>3,310,140</u>
Movements with P&L impact					
Transfers:					
Transfer from Stage 1 to Stage 2	(51,741)	51,741	-	-	-
Transfer from Stage 1 to Stage 3	(25,485)	-	25,485	-	-
Transfer from Stage 2 to Stage 1	39,364	(39,364)	-	-	-
Transfer from Stage 2 to Stage 3	-	(23,957)	23,957	-	-
Transfer from Stage 3 to Stage 2	-	34,291	(34,291)	-	-
Transfer from Stage 3 to Stage 1	21,775	-	(21,775)	-	-
New financial assets originated or purchased	450,757	-	-	-	450,757
Financial assets derecognized during the year	(150,316)	(15,653)	(76,363)	(12,438)	(254,770)
Net remeasurement of loss allowance	<u>113,186</u>	<u>221,831</u>	<u>1,160,905</u>	<u>46,561</u>	<u>1,542,483</u>
Loss allowance recognized in profit or loss	397,540	228,889	1,077,918	34,123	1,738,470
Write-offs against provision	(277,336)	(167,149)	(2,241,602)	(292,093)	(2,978,180)
Loss allowance as at March 31, 2024	<u>1,219,347</u>	<u>219,740</u>	<u>601,229</u>	<u>30,114</u>	<u>2,070,430</u>

JN BANK LIMITED**Notes to the Financial Statements**
March 31, 2024**35. Financial risk management (continued)**

(b) Credit risk (continued):

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

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

JN BANK LIMITED**Notes to the Financial Statements
March 31, 2024****35. 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:

	2024				Total
	Stage 1	Stage 2	Stage 3	Purchased	
	12-month ECL	Lifetime ECL	Lifetime ECL	credit-impaired	
	\$'000	\$'000	\$'000	\$'000	\$'000
Gross carrying amount as at beginning of year	<u>126,280,411</u>	<u>7,761,402</u>	<u>4,788,752</u>	<u>476,717</u>	<u>139,307,282</u>
Transfers:					
Transfer from Stage 1 to Stage 2	(11,271,892)	11,271,892	-	-	-
Transfer from Stage 1 to Stage 3	(1,126,897)	-	1,126,897	-	-
Transfer from Stage 2 to Stage 3	-	(1,201,273)	1,201,273	-	-
Transfer from Stage 3 to Stage 2	-	519,046	(519,046)	-	-
Transfer from Stage 3 to Stage 1	119,499	-	(119,499)	-	-
Transfer from Stage 2 to Stage 1	1,487,094	(1,487,094)	-	-	-
New financial assets originated or purchased	41,202,332	-	-	-	41,202,332
Financial assets derecognized during the period other than write-offs	(12,539,342)	(580,161)	(220,492)	(18,177)	(13,358,172)
Net remeasurement of gross balance	<u>464,589</u>	<u>478,922</u>	<u>(62,162)</u>	<u>(18,050)</u>	<u>863,299</u>
Write-offs	18,335,383	9,001,332	1,406,971	(36,227)	28,707,459
	<u>(277,336)</u>	<u>(167,149)</u>	<u>(2,623,167)</u>	<u>(292,093)</u>	<u>(3,359,745)</u>
Gross carrying amount as at end 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>

Significant change in the gross carrying amount of financial assets that contributed to the change in the loss allowance was a write off of stage 3 unsecured loans. The write-off of loans with a total gross carrying amount of \$3,359,745,000 (2023: \$281,353,000) resulted in the reduction of the stage 3 loss allowance. These loans include micro-financed and other personal loans, which are still being pursued for recovery, unless Board approval has been obtained for discontinuance.

JN BANK LIMITED**Notes to the Financial Statements
March 31, 2024****35. Financial risk management (continued)**

(b) Credit risk (continued):

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

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

The total amount of undiscounted expected credit losses at initial recognition for purchased or originated credit-impaired financial assets recognised during the period was \$30,113,000 (2023: \$288,084,000).

Investments

	2024		
	Stage 1	Stage 2	Total
	12-month ECL \$'000	Lifetime ECL \$'000	\$'000
Balances at April 1	131,768	25,528	157,296
Transfer from Stage 2 to Stage 1	25,528	(25,528)	-
New financial assets originated or purchased	8,727	-	8,727
Financial assets derecognised during the period other than write-offs	(91,861)	-	(91,861)
Loss allowance recognised in profit or loss	(57,606)	(25,528)	(83,134)
Balances at March 31	74,162	-	74,162

JN BANK LIMITED**Notes to the Financial Statements
March 31, 2024****35. Financial risk management (continued)**

(b) Credit risk (continued):

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

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

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:

	2024					
	Amortised cost		Carried at FVOCI		TOTAL	
	Investment \$000	Reverse Repos \$000	Investment \$000	Reverse Repos \$000	Investment \$000	Reverse Repos \$000
Investment grade	-	-	11,817,836	-	11,817,836	-
Speculative grade	5,931,380	4,028,912	38,974,940	-	44,906,320	4,028,912
	5,931,380	4,028,912	50,792,776	-	56,724,156	4,028,912
ECL provision at year end	3,876	24	70,262	-	74,138	24

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

Speculative grade includes Government of Jamaica Securities of \$38,363,217,000 (2023: \$40,588,374,000 (see note 8)).

(c) Liquidity risk:

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

JN BANK LIMITED**Notes to the Financial Statements
March 31, 2024****35. Financial risk management (continued)**

(c) Liquidity risk (continued):

- (i) *Funding liquidity risk* - the risk that the Bank will not be able to meet the expected and unexpected current and future cash flows and collateral needs without affecting either its daily operations or its financial condition; and
- (ii) *Asset/market liquidity risk* – the risk that the bank will not be able to liquidate assets in an orderly fashion without incurring loss on liquidation.

Management of liquidity risk

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

	Minimum requirement		Actual	
	2024 %	2023 %	2024 %	2023 %
Jamaica Dollar	6	5	18	18
United States of America Dollar	14	13	21	17
Canadian Dollar	14	13	89	80
Pound Sterling	<u>14</u>	<u>13</u>	<u>66</u>	<u>60</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.

	2024						
	Carrying amount \$'000	Contractual undiscounted cash flows					
Total cash outflow \$'000		Less than 3 months \$'000	3-12 months \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000	
Financial Assets							
Cash resources	28,118,184	28,118,184	10,596,820	17,521,364	-	-	-
Securities purchased under resale agreements	4,048,936	4,048,936	3,653,912	375,000	20,024	-	-
Investments	57,543,802	60,792,394	7,839,924	2,799,395	7,404,886	11,766,997	30,981,192
Due from related entities	906,562	906,562	906,562	-	-	-	-
Loans, after allowance for impairment losses	151,345,464	163,967,233	3,168,439	7,596,165	13,424,910	25,851,140	113,926,579
Other assets	<u>337,803</u>	<u>337,803</u>	<u>337,803</u>	-	-	-	-
Total financial assets	<u>242,300,751</u>	<u>258,171,112</u>	<u>26,503,460</u>	<u>28,291,924</u>	<u>20,849,820</u>	<u>37,618,137</u>	<u>144,907,771</u>
Financial Liabilities							
Due to specialised financial institutions	2,709,096	2,925,252	22,323	64,159	85,545	256,554	2,496,671
Customer deposits	200,721,190	203,129,845	180,986,999	20,490,802	836,980	804,673	10,391
Due to related entities	310,663	310,663	310,663	-	-	-	-
Securities sold under repurchase agreements	17,983,540	19,314,649	14,409,470	4,905,179	-	-	-
Other payables	2,862,029	2,862,029	2,862,029	-	-	-	-
Margin loan	2,216,038	2,216,038	2,216,038	-	-	-	-
Long-term loan	149,997	149,997	2,319	147,678	-	-	-
Lease liabilities	<u>2,260,608</u>	<u>2,825,467</u>	-	<u>598,068</u>	<u>616,004</u>	<u>624,433</u>	<u>986,962</u>
Total financial liabilities	<u>229,213,161</u>	<u>233,733,940</u>	<u>200,809,841</u>	<u>26,205,886</u>	<u>1,538,529</u>	<u>1,685,660</u>	<u>3,494,024</u>
Unrecognised loan commitments	-	<u>16,978,823</u>	<u>16,978,823</u>	-	-	-	-
	<u>229,213,161</u>	<u>250,712,763</u>	<u>217,788,664</u>	<u>26,205,886</u>	<u>1,538,529</u>	<u>1,685,660</u>	<u>3,494,024</u>
On statement of financial position gap, being total liquidity gap	<u>13,087,590</u>	<u>7,458,349</u>	<u>(191,285,204)</u>	<u>2,086,038</u>	<u>19,311,291</u>	<u>35,932,477</u>	<u>141,413,747</u>
Cumulative gap			<u>(191,285,204)</u>	<u>(189,199,166)</u>	<u>(169,887,875)</u>	<u>(133,955,398)</u>	<u>7,458,349</u>

JN BANK LIMITED**Notes to the Financial Statements
March 31, 2024****35. Financial risk management (continued)**

(c) Liquidity risk (continued):

Management of liquidity risk (continued)

	2023						
	Carrying amount \$'000	Total cash outflow \$'000	Contractual undiscounted cash flows				More than 5 years \$'000
Less than 3 months \$'000			3-12 months \$'000	1-2 years \$'000	2-5 years \$'000		
Financial Assets							
Cash resources	27,952,452	27,952,452	13,326,837	14,625,615	-	-	-
Securities purchased under resale agreements	757,055	757,055	299,062	440,182	17,811	-	-
Investments	59,756,346	61,598,416	8,423,437	10,003,544	2,433,802	3,513,716	37,223,917
Due from related entities	492,770	492,770	492,770	-	-	-	-
Loans, after allowance for impairment losses	128,619,137	140,155,638	5,281,702	2,139,400	5,288,460	22,896,172	104,549,904
Other assets	451,189	451,189	451,189	-	-	-	-
Total financial assets	<u>218,028,949</u>	<u>231,407,520</u>	<u>28,274,997</u>	<u>27,208,741</u>	<u>7,740,073</u>	<u>26,409,888</u>	<u>141,773,821</u>
Financial Liabilities							
Due to specialised financial institutions	2,288,455	2,457,048	52,801	140,379	190,606	445,820	1,627,442
Customer deposits	181,562,153	183,069,119	164,553,207	15,159,180	2,513,183	819,667	23,882
Due to related entities	205,944	205,944	-	205,944	-	-	-
Securities sold under repurchase agreements	15,565,414	16,609,803	15,000,892	1,608,911	-	-	-
Other payables	1,872,859	1,872,859	1,872,859	-	-	-	-
Margin loan	2,086,715	2,211,918	2,211,918	-	-	-	-
Long-term loan	222,725	222,725	21,502	201,223	-	-	-
Lease liabilities	319,437	351,450	-	87,546	77,121	67,495	119,288
Total financial liabilities	204,123,702	207,000,866	183,713,179	17,403,183	2,780,910	1,332,982	1,770,612
Unrecognised loan commitments	-	12,155,857	12,155,857	-	-	-	-
	<u>204,123,702</u>	<u>219,156,723</u>	<u>195,869,036</u>	<u>17,403,183</u>	<u>2,780,910</u>	<u>1,332,982</u>	<u>1,770,612</u>
On statement of financial position gap, being total liquidity gap	<u>13,905,247</u>	<u>12,250,797</u>	<u>(167,594,039)</u>	<u>9,805,558</u>	<u>4,959,163</u>	<u>25,076,906</u>	<u>140,003,209</u>
Cumulative gap			<u>(167,594,039)</u>	<u>(157,788,481)</u>	<u>(152,829,318)</u>	<u>(127,752,412)</u>	<u>12,250,797</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 at least annual stress tests which includes scenarios used to stress the liquidity of the Bank based on the approved budget. Where liquidity challenges are detected, increased stress testing of the liquidity is conducted.

JN BANK LIMITED**Notes to the Financial Statements**
March 31, 2024**35. 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.

The Institute of Chartered Accountants of Jamaica (ICAJ), through its Accounting Standards Committee, has reviewed the rates being used to prepare sensitivity analysis for interest rate risk, currency risk and equity price risk and based on prevailing market conditions, provides the indicative ranges for guidance.

Management of market risk

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

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

(i) Interest rate risk:

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

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

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

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

JN BANK LIMITED**Notes to the Financial Statements
March 31, 2024****35. Financial risk management (continued)****(d) Market risk (continued):****Management of market risk (continued)****(i) Interest rate risk (continued):**

	2024						Weighted average interest rate %
	Immediately rate sensitive	Within 3 months	Three to 12 months	Over 1 year	Non-rate sensitive	Total	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Financial Assets							
Cash resources	-	10,596,820	-	-	17,521,364	28,118,184	0.05
Securities purchased under resale agreements	-	3,653,912	375,000	-	20,024	4,048,936	7.20
Investments	-	7,328,182	2,611,376	46,784,598	819,646	57,543,802	3.09
Due from related entities	-	-	-	-	906,562	906,562	-
Loans	-	2,906,825	6,968,959	140,552,870	916,810	151,345,464	9.00
Other assets	-	-	-	-	337,803	337,803	-
Total financial assets	-	24,485,739	9,955,335	187,337,468	20,522,209	242,300,751	
Financial Liabilities							
Due to specialised financial institutions	-	21,386	64,159	2,623,551	-	2,709,096	3.00
Customer deposits	-	178,840,908	20,247,828	1,632,454	-	200,721,190	1.20
Due from related entities	-	-	-	-	310,663	310,663	-
Securities sold under- repurchase agreements	-	13,219,697	4,500,164	-	263,679	17,983,540	9.0
Other payables	-	-	-	-	2,862,029	2,862,029	-
Margin loan	-	2,216,038	-	-	-	2,216,038	-
Long-term loan	-	-	-	149,997	-	149,997	-
Lease liabilities	-	598,068	616,004	1,046,536	-	2,260,608	9.43
Total financial liabilities	-	194,896,097	25,428,155	5,452,538	3,436,371	229,213,161	
On statement of financial position gap, being total interest rate sensitivity gap	-	(170,410,358)	(15,472,820)	181,884,930	17,085,838	13,087,590	
Cumulative gap	-	(170,410,358)	(185,883,178)	(3,998,248)	13,087,590		
	2023						
	Immediately rate sensitive	Within 3 months	Three to 12 months	Over 1 year	Non-rate sensitive	Total	Weighted average interest rate %
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Financial Assets							
Cash resources	-	13,326,837	-	-	14,625,615	27,952,452	0.08
Securities purchased under resale agreements	-	299,062	440,182	-	17,811	757,055	3.50
Investments	-	7,781,332	9,591,126	41,391,613	992,275	59,756,346	4.30
Due from related entities	-	-	-	-	492,770	492,770	-
Loans	-	4,858,971	1,968,169	121,190,975	601,022	128,619,137	8.70
Other assets	-	-	-	-	451,189	451,189	-
Total financial assets	-	26,266,202	11,999,477	162,582,588	17,180,682	218,028,949	
Financial Liabilities							
Due to specialised financial institutions	-	51,570	140,379	2,096,506	-	2,288,455	3.28
Customer deposits	-	163,206,718	15,072,299	2,961,089	322,047	181,562,153	0.83
Due from related entities	-	-	-	-	205,944	205,944	-
Securities sold under- repurchase agreements	-	13,967,311	1,498,055	-	100,048	15,565,414	7.40
Other payables	-	-	-	-	1,872,859	1,872,859	-
Margin loan	-	2,086,715	-	-	-	2,086,715	-
Long-term loan	-	-	-	222,725	-	222,725	7.60
Lease liabilities	-	2,140	1,193	259,372	56,732	319,437	3.00
Total financial liabilities	-	179,314,454	16,711,926	5,539,692	2,557,630	204,123,702	
On statement of financial position gap, being total interest rate sensitivity gap	-	(153,048,252)	(4,712,449)	157,042,896	14,623,052	13,905,247	
Cumulative gap	-	(153,048,252)	(157,760,701)	(717,805)	13,905,247		

JN BANK LIMITED**Notes to the Financial Statements**
March 31, 2024**35. Financial risk management (continued)**

(d) Market risk (continued):

Management of market risk (continued)

(i) Interest rate risk (continued):

Sensitivity to interest rate movements:

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

	Increase in interest rate	Decrease in interest rate
J\$ denominated instruments	2024: 25 basis points (2023: 100 basis points)	2024: 25 basis points (2023: 50 basis points)
US\$ denominated instruments	2024: 25 basis points (2023: 100 basis points)	2024: 25 basis points (2023: 50 basis points)

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

	<u>2024</u>		<u>2023</u>	
	<u>Increase</u> \$'000	<u>Decrease</u> \$'000	<u>Increase</u> \$'000	<u>Decrease</u> \$'000
Other comprehensive income: J\$	(371,001)	196,719	(83,289)	81,225
US\$	<u>(1,516,442)</u>	<u>778,853</u>	<u>(2,974,787)</u>	<u>1,565,530</u>

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 2023.

	<u>Effect on profit</u>	
	<u>Increase</u> \$'000	<u>Decrease</u> \$'000
March 31, 2024		
Variable rate instruments – J\$	27,643	(27,643)
March 31, 2023		
Variable rate instruments – J\$	12,038	(6,019)

JN BANK LIMITED**Notes to the Financial Statements**
March 31, 2024**35. Financial risk management (continued)**

(d) Market risk (continued):

Management of market risk (continued)

(ii) Equity price risk

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

Sensitivity to equity price movements

A 6% (2023: 6%) and 3% (2023:6%) increase/decrease respectively in market prices at the reporting date would result in changes in reserves for the Bank of \$13,240,000 (2023: \$16,543,000) and \$6,620,100 (2023: \$16,543,000).

(iii) Foreign currency risk:

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

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

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

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

	<u>2024</u> '000	<u>2023</u> '000
United States dollar	(24,902)	6,637
Canadian dollar	(504)	(3,693)
Pound sterling	(4,360)	(10,122)
Euro	-	179
Cayman dollar	<u>995</u>	<u>873</u>

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

JN BANK LIMITED**Notes to the Financial Statements**
March 31, 2024**35. Financial risk management (continued)**

(d) Market risk (continued):

Management of market risk (continued)

(iii) Foreign currency risk (continued):

Sensitivity to exchange rate movements:

A 4% (2023: 4%) weakening of the Jamaica dollar against the various currencies at March 31 would have decreased profit for the year by the amounts shown in the table below. A 1% (2023: 1%) strengthening of the Jamaica dollar against these currencies at March 31 would have had the opposite effect to that shown in the table below. The analysis assumes that all other variables, in particular, interest rates, remain constant. The analysis was done on the same basis for 2023.

	2024		2023	
	\$'000		\$'000	
	4 %	1%	4%	1%
United States dollar	(153,307)	38,327	39,937	(9,984)
Canadian dollar	(2,293)	573	(16,537)	4,134
Pounds sterling	(33,633)	8,408	(75,678)	18,920
Euro	1	-	1,195	(299)
Cayman dollar	<u>7,473</u>	<u>(-1,868)</u>	<u>6,431</u>	<u>(-1,608)</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**
March 31, 2024**35. Financial risk management (continued)****(e) Operational risk (continued):**

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

- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- reporting of operational losses and proposed remedial actions;
- development of business continuity programmes including contingency plans, testing and training;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective

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

(f) Capital management:**Regulatory capital**

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

The Bank of Jamaica requires the Bank to maintain a prescribed ratio of total capital to total risk weighted assets of at least 10% (2023: 10%). During the year, BOJ has requested that the Bank increase its capital adequacy ratio from 10% to 15% to be met within the shortest possible time. The actual ratio of total regulatory capital to total risk weighted assets at March 31, 2024 was 12.5% (2023: 15.2%).

JN BANK LIMITED**Notes to the Financial Statements**
March 31, 2024**36. Fair value of financial instruments**

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

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

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

(a) Accounting classifications and fair values:

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

JN BANK LIMITED

Notes to the Financial Statements March 31, 2024

36. Fair value of financial instruments (continued)

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

	2024								
	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
Financial assets measured at fair value:									
Corporate bonds	-	8,912,755	-	-	8,912,755	-	8,912,755	-	8,912,755
Government of Jamaica securities	-	38,363,217	-	-	38,363,217	-	38,363,217	-	38,363,217
Treasury bills	-	3,296,134	-	-	3,296,134	-	3,296,134	-	3,296,134
Quoted equities	-	201,062	-	-	201,062	201,062	-	-	201,062
Unquoted equities	-	19,608	-	-	19,608	-	19,608	-	19,608
	<u>-</u>	<u>50,792,776</u>	<u>-</u>	<u>-</u>	<u>50,792,776</u>	<u>201,062</u>	<u>50,591,714</u>	<u>-</u>	<u>50,792,776</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.

Financial assets not measured at fair value:

Cash resources	28,118,184	-	-	-	28,118,184	-	28,118,184	-	28,118,184
Securities purchased under resale agreements	4,028,912	-	-	-	4,028,912	-	4,028,912	-	4,028,912
Certificates of deposit	5,931,380	-	-	-	5,931,380	-	5,931,380	-	5,931,380
Due from related entities	906,562	-	-	-	906,562	-	-	906,562	906,562
Loans	150,428,655	-	-	-	150,428,655	-	-	150,804,315	150,804,315
Other assets	337,803	-	-	-	337,803	-	-	337,803	337,803
	<u>189,751,496</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>189,751,496</u>	<u>-</u>	<u>38,078,476</u>	<u>152,048,680</u>	<u>190,127,156</u>

Financial liabilities not measured at fair value:

Due to specialised financial institutions	-	-	-	2,709,096	2,709,096	-	-	2,709,096	2,709,096
Due to related entities	-	-	-	310,663	310,663	-	-	310,663	310,663
Customer deposits	-	-	-	199,999,106	199,999,106	-	-	199,999,106	199,999,106
Securities sold under repurchase agreements	-	-	-	17,983,540	17,983,540	-	-	17,983,540	17,983,540
Other payables	-	-	-	2,862,029	2,862,029	-	-	2,862,029	2,862,029
Margin loan	-	-	-	2,216,038	2,216,038	-	-	2,216,038	2,216,038
Long-term loan	-	-	-	149,997	149,997	-	-	149,997	149,997
Lease liabilities	-	-	-	2,260,608	2,260,608	-	-	2,260,608	2,260,608
	<u>-</u>	<u>-</u>	<u>-</u>	<u>228,491,077</u>	<u>228,491,077</u>	<u>-</u>	<u>-</u>	<u>228,491,077</u>	<u>228,491,077</u>

JN BANK LIMITED

Notes to the Financial Statements March 31, 2024

36. Fair value of financial instruments (continued)

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

	2023								
	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
Financial assets measured at fair value:									
Corporate bonds	-	9,400,567	-	-	9,400,567	-	9,400,567	-	9,400,567
Government of Jamaica securities	-	40,588,374	-	-	40,588,374	-	40,588,374	-	40,588,374
Treasury bills	-	6,069,197	-	-	6,069,197	-	6,069,197	-	6,069,197
Quoted equities	-	275,222	-	-	275,222	275,222	-	-	275,222
Promissory note	-	49,829	-	-	49,829	-	49,829	-	49,829
Unquoted equities	-	19,608	-	-	19,608	-	19,608	-	19,608
	-	56,402,797	-	-	56,402,797	275,222	56,127,575	-	56,402,797

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

	2023								
	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
Financial assets not measured at fair value:									
Cash resources	27,952,452	-	-	-	27,952,452	-	27,952,452	-	27,952,452
Securities purchased under resale agreements	739,244	-	-	-	739,244	-	921,199	-	921,199
Certificates of deposit	2,656,104	-	-	-	2,656,104	-	2,656,104	-	2,656,104
Due from related entities	492,770	-	-	-	492,770	-	-	492,770	492,770
Loans	128,018,115	-	-	-	128,018,115	-	-	109,928,111	109,928,111
Other assets	451,189	-	-	-	451,189	-	-	451,189	451,189
	160,309,874	-	-	-	160,309,874	-	31,529,755	110,872,070	142,401,825
Financial liabilities not measured at fair value:									
Due to specialised financial institutions	-	-	-	2,288,455	2,288,455	-	-	2,288,455	2,288,455
Customer deposits	-	-	-	181,240,106	181,240,106	-	-	181,240,106	181,240,106
Due to related entities	-	-	-	205,944	205,944	-	-	205,944	205,944
Securities sold under repurchase agreements	-	-	-	15,565,414	15,565,414	-	-	15,565,414	15,565,414
Other payables	-	-	-	1,872,859	1,872,859	-	-	1,872,859	1,872,859
Margin loan	-	-	-	2,086,715	2,086,715	-	-	2,086,715	2,086,715
Long-term loan	-	-	-	222,725	222,725	-	-	222,725	222,725
Lease liabilities	-	-	-	319,437	319,437	-	-	319,437	319,437
	-	-	-	203,801,655	203,801,655	-	-	203,801,655	203,801,655

JN BANK LIMITED**Notes to the Financial Statements****March 31, 2024**

36. Fair value of financial instruments (continued)

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

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

Type	Valuation techniques
US\$ denominated Government of Jamaica (GOJ) securities sovereign and corporate bonds	<ul style="list-style-type: none"> • Obtain bid price provided by a recognised broker/dealer • Apply price to estimate fair value.
J\$ denominated securities issued or guaranteed by GOJ	<ul style="list-style-type: none"> • Obtain bid price provided by a recognised pricing source (which uses Jamaica-market-supplied indicative bids) • Apply price to estimate fair value.

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

37. Commitments

At March 31, 2024, the Bank had:

- (a) Undisbursed approved loans and loan commitments amounting to approximately \$16,766,000,000 (2023: \$12,039,000,000).
- (b) Capital commitments:
Commitments for capital expenditure amounted to \$89,623,000 (2023: \$37,355,000).
- (c) Sponsorship commitments:
Commitments for sponsorship expenditures amounted to \$123,200,000 (2023: \$79,502,000).

38. Contingent liabilities

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

JN BANK LIMITED**Notes to the Financial Statements****March 31, 2024**

39. Material accounting policies

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

In addition, the Bank adopted *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)* from April 1, 2023. The amendments require the disclosure of ‘material’ rather than ‘significant’ accounting policies. Although these amendments did not result in any changes to the accounting policies, they impacted the accounting policy information disclosed in respect of certain policies.

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

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

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****March 31, 2024**

39. Material accounting policies (continued)

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

Financial assets (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.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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.

JN BANK LIMITED**Notes to the Financial Statements****March 31, 2024**

39. Material accounting policies (continued)**(a) Financial assets and financial liabilities (continued)**

Financial assets (continued)

Classification and subsequent measurement (continued)

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 the assessment the Bank considers. 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.

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 purposes other than to generate investment returns.

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 39(r)] at initial recognition - the Bank calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

JN BANK LIMITED**Notes to the Financial Statements****March 31, 2024**

39. Material accounting policies (continued)

(a) Financial assets and financial liabilities (continued)

Financial assets (continued)

Classification and subsequent measurement (continued)

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. The Bank does this by considering, among others, the following factors:

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

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

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

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition. A new effective interest rate for the asset is then calculated.

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

JN BANK LIMITED**Notes to the Financial Statements****March 31, 2024**

39. Material accounting policies (continued)

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

Measurement methods (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).

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

JN BANK LIMITED**Notes to the Financial Statements****March 31, 2024**

39. Material accounting policies (continued)

(a) Financial assets and financial liabilities (continued)

Derecognition of financial assets and financial liabilities (continued)

Financial assets (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 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

The Bank recognises loss allowances for ECL on financial instruments that are not measured at FVTPL. No impairment loss is recognised on equity investments.

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

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

Note 35(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. However, the loss is recognised in profit or loss as a reclassification from OCI.

JN BANK LIMITED**Notes to the Financial Statements****March 31, 2024**

39. Material accounting policies (continued)**(a) Financial assets and financial liabilities (continued)***Identification and measurement of impairment (continued)*

Financial guarantee contracts and loan commitments

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

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

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

The Bank has not made any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

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

(b) Fair value measurement:

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

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

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.

JN BANK LIMITED**Notes to the Financial Statements**
March 31, 2024

39. Material accounting policies (continued)**(b) Fair value measurement (continued):**

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

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

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

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

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

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

JN BANK LIMITED**Notes to the Financial Statements****March 31, 2024**

39. 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, plant 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.

JN BANK LIMITED**Notes to the Financial Statements****March 31, 2024**

39. Material accounting policies (continued)**(d) Securities purchased/sold under resale/repurchase agreements:**

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

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

(e) Cash resources:

Cash resources are measured at amortised cost. They comprise cash balances and cash reserve at the Bank of Jamaica, cash in hand and short-term, highly liquid investments where original maturities do not exceed three months from the reporting date, are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term commitments.

(f) Investment property:

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

(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.

JN BANK LIMITED**Notes to the Financial Statements****March 31, 2024**

39. Material accounting policies (continued)**(g) Intangible assets (continued):****[iii] Amortisation:**

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

(h) Assets held for sale:

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

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

(i) Other assets:

Other assets are measured at amortised cost less impairment losses.

(j) Employee benefits:

Employee benefits are all forms of consideration given by the Bank in exchange for service rendered by employees.

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

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

[i] Short-term employee benefits:

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

JN BANK LIMITED**Notes to the Financial Statements****March 31, 2024**

39. Material accounting policies (continued)**(j) Employee benefits (continued):****[ii] Defined-contribution plans:**

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

[iii] Defined-benefit plans:

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 23) 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.

The calculation of the defined benefit obligation is performed annually by a qualified actuary under the projected unit credit method. 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.

JN BANK LIMITED**Notes to the Financial Statements****March 31, 2024**

39. Material accounting policies (continued)**(k) Loans payable:**

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

(l) Other payables:

Other payables are measured at amortised cost.

(m) Interest in equity-accounted investee

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

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

(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 directly in equity or in other comprehensive income.

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

[ii] Deferred 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.

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.

JN BANK LIMITED**Notes to the Financial Statements****March 31, 2024****39. Material accounting policies (continued)****(o) Foreign currencies:**

[i] Monetary foreign currency balances at the reporting date are translated at the Bank of Jamaica's weighted average rate of US\$1.00 = J\$153.9124 (2023: J\$150.4386), UK£1.00 = J\$192.8560 (2023: J\$186.9137) and CDN\$1.00 = J\$113.7856 (2023: J\$111.9488), being the rates of exchange ruling on that date. Other foreign currency balances at the reporting date have been translated using indicative rates provided by the Bank of Jamaica of €1.00 = J\$166.4732 (2023: J\$166.5808) and Cayman Dollar 1.00 = J\$187.6898 (2023: J\$184.1097).

[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 exchange rate at 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 39(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, the other matter required by IFRS 9 to be taken into account in computing expected credit losses and set out in note 35(b) and guidance provided by BOJ, which requires that appropriate provision be made for all loans on which interest payments and principal repayments are ninety or more days in arrears. Amounts are written-off from the provision whenever management has concluded that such amounts may not be recovered.

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

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

(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.

JN BANK LIMITED**Notes to the Financial Statements****March 31, 2024**

39. Material accounting policies (continued)**(q) Interest income and expenses (continued):**

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.

(r) Impairment of non-financial assets:

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

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

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

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.

JN BANK LIMITED**Notes to the Financial Statements****March 31, 2024**

39. Material accounting policies (continued)

(s) Leases (continued):

As a lessee (continued)

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

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

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

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

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

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

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

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

Short-term leases and leases of low-value assets

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

JN BANK LIMITED**Notes to the Financial Statements
March 31, 2024**

39. Material accounting policies (continued)

- (s) Leases (continued):

Sale and Leaseback

Management has determined that the sale of properties under a sale and leaseback transaction 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 significant risks and rewards of ownership have been transferred to the buyer and the consideration can be reliably measured. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, or material associated costs on the possible return of goods.

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

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

- (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 are varied based on the service provided.	Revenue from service is recognised over time as the service is provided.
Commission fees	The Bank provides services to its clients based on duly executed client agreements. Fees are charged on a monthly basis and are based on fixed rates agreed.	Revenue from service fees is recognised over time as the services are provided.
Syndication fees	The Bank charges fees for advisory services provided to its corporate clients based on agreed mandate. Fees are charged based on the nature of the transaction which varies from client to client.	Revenue from services is recognised at the successful execution of each transaction.

JN BANK LIMITED**Notes to the Financial Statements****March 31, 2024**

39. Material accounting policies (continued)

- (v) Business combinations under common control:

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

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

Except for the amendments to *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)* disclosed earlier, certain new and amended standards came into effect during the current financial year, none of which had any significant impact on these financial statements.

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

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

- *Classification of Liabilities as Current or Non-Current and Non-Current Liabilities with Covenants (Amendments to IAS 1)*
- *Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)*
- *Lack of Exchangeability (Amendments to IAS 21)*
- *Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)*
- *Presentation and Disclosure in Financial Statements (IFRS 18)*
- *General Requirements for Disclosure of Sustainability-related Financial Information (IFRS S1)*
- *Climate-related Disclosures (IFRS S2)*

40. Merger

As indicated in note 1, the operations of JN Small Business Loans Limited (JNSBL) were integrated into the Bank as part of a wider JN Group strategy effective July 1, 2022. The Bank used the book-value method when accounting for business combinations under common control. The assets and liabilities of JNSBL that were merged into the Bank amounted to \$4,149,000.

JN BANK LIMITED**Notes to the Financial Statements**
March 31, 2024**41. Analysis of changes in financing during the year**

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

	Note	2024				Total
		Securities sold under repurchase agreements	Lease liabilities	Due to specialised financial institutions	Long-term loan	
		\$'000	\$'000	\$'000	\$'000	\$'000
Balance at April 1, 2023		<u>15,565,414</u>	<u>319,437</u>	<u>2,288,455</u>	<u>222,725</u>	<u>18,396,031</u>
Proceeds from issuance of repurchase agreements	20	157,492,714	-	-	-	157,492,714
Repayment of repurchase agreements		(155,238,219)	-	-	-	(155,238,219)
Payment of lease liabilities	18(a)	-	(362,962)	-	-	(362,962)
Sale and leaseback and other lease transaction	18(a)(vi)	-	2,190,964	-	-	2,190,964
Proceeds from due to specialised financial institutions	24	-	-	803,037	-	803,037
Payments to specialised financial institutions	24	-	-	(382,396)	-	(382,396)
Payments on long-term loan	9(c)(iii)	-	-	-	(72,728)	(72,728)
Total changes from financing cash flows		<u>2,254,495</u>	<u>1,828,002</u>	<u>420,641</u>	<u>(72,728)</u>	<u>4,430,410</u>
Liability-related						
Interest expense	30	1,169,990	-	56,010	16,504	1,242,504
Interest expense on lease liabilities	18(a)(iii)	-	113,169	-	-	113,169
Interest paid		(1,006,359)	-	(56,010)	(16,504)	(1,078,873)
Balance at March 31, 2024		<u>17,983,540</u>	<u>2,260,608</u>	<u>2,709,096</u>	<u>149,997</u>	<u>23,103,241</u>

	Note	2023				Total
		Securities sold under repurchase agreements	Lease liabilities	Due to specialised financial institutions	Long-term loan	
		\$'000	\$'000	\$'000	\$'000	\$'000
Balance at April 1, 2022		<u>16,087,441</u>	<u>324,234</u>	<u>3,969,808</u>	<u>14,532,700</u>	<u>34,914,183</u>
Proceeds from issuance of repurchase agreements	20	135,123,036	-	-	-	135,123,036
Repayment of repurchase agreements		(135,609,999)	-	-	-	(135,609,999)
Payment of lease liabilities	18(a)	-	(120,565)	-	-	(120,565)
Proceeds from due to specialised financial institutions	24	-	-	2,201,166	-	2,201,166
Payments to specialised financial institutions		-	-	(2,939,489)	-	(2,939,489)
Payments on long-term loan	9(c)(iii)	-	-	-	(14,310,275)	(14,310,275)

JN BANK LIMITED**Notes to the Financial Statements**
March 31, 2024**41. Analysis of changes in financing during the year (continued)**

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

	Note	2023				Total
		Securities sold under repurchase agreements	Lease liabilities	Due to specialised financial institutions	Long-term loan	
Total changes from financing cash flows		(486,963)	(120,565)	(738,323)	(14,310,275)	(15,656,126)
Liability-related						
Interest expense	30	801,683	-	57,733	113,976	973,392
Interest expense on lease liabilities	18(a)(iii)	(836,747)	17,687	-	-	(819,060)
Interest paid		-	(17,687)	(57,733)	(113,976)	(189,396)
Gain from specialised financial institutions		-	-	(943,222)	-	(943,222)
Other changes		-	115,768	192	300	116,260
Balance at March 31, 2023		15,565,414	319,437	2,288,455	222,725	18,396,031

42. Prior period adjustments

During the year, the Bank identified prior period errors in the prior year financial statements. The errors have been corrected by restating each of the affected financial statements line items or disclosures for prior periods. The following tables summarise the impact on the Bank's financial statements.

(a) Statements of Financial Position

	March 31, 2023			April 1, 2022		
	As previously reported	Adjustments	As restated	As previously reported	Adjustments	As restated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Investments	59,756,346	-	59,756,346	76,017,227	-	76,017,227
Other assets (iii)	3,709,479	(2,142,601)	1,566,878	2,049,253	(1,089,758)	959,495
Intangible assets (iii)	160,181	2,142,601	2,302,782	769,181	1,089,758	1,858,939
Others	167,090,077	-	167,090,077	157,376,215	-	157,376,215
Total assets	230,716,083	-	230,716,083	236,211,876	-	236,211,876
Other reserves (i)	4,420,082	(808,784)	3,611,298	5,766,072	(399,609)	5,366,463
Retained earnings (i)	2,320,381	808,784	3,129,165	1,533,387	399,609	1,932,996
Others	223,975,620	-	223,975,620	228,912,417	-	228,912,417
Total liabilities and equity	230,716,083	-	230,716,083	236,211,876	-	236,211,876

JN BANK LIMITED**Notes to the Financial Statements**
March 31, 2024**42. Prior period adjustments (continued)**

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

	March 31, 2023		
	As previously reported	Adjustments	As restated
	\$'000	\$'000	\$'000
Net interest income (i)	10,956,020	613,763	11,569,783
Impairment losses on financial instruments	(791,935)	-	(791,935)
Gain on disposal of fair value through other comprehensive income (FVOCI) investment securities	(338)	-	(338)
Other operating income	5,118,456	-	5,118,456
Operating expenses	(14,671,560)	-	(14,671,560)
Fair value gain on investment properties	80,000	-	80,000
Finance expense-leases	(17,687)	-	(17,687)
Operating profit	672,956	613,763	1,286,719
Share of profit of associate	45,108	-	45,108
Unrealised foreign exchange gains/(losses)	150,384	-	150,384
Profit before taxation	868,448	613,763	1,482,211
Taxation (i)	(376,084)	(204,588)	(580,672)
Profit for the year	492,364	409,175	901,539
Other comprehensive (loss)/income:			
Items that are or may be reclassified to profit or loss (i):	(1,466,775)	(409,175)	(1,875,950)
Items that will never be reclassified to profit or loss	472,083	-	472,083
Total comprehensive loss for the year	(502,328)	-	(502,328)

(c) Statements of Cash Flows

	March 31, 2023		
	As previously reported	Adjustments	As restated
	\$'000	\$'000	\$'000
Profit for the year (i)	492,364	409,175	901,539
Adjustment for:			
Interest income (i)	(13,542,966)	(613,763)	(14,156,729)
Other assets (iii)	(1,714,338)	1,052,843	(661,495)
Deferred taxation (i)	(360,097)	204,588	(155,509)
Others	4,426,787	-	4,426,787
Net cash provided by operating activities	(10,698,250)	1,052,843	(9,645,407)
Acquisition of investments (ii)	-	(46,328,939)	(46,328,939)
Proceeds from sale of investments (ii)	6,569,669	47,191,365	53,761,034
Sale of investments (ii)	6,285,298	(6,285,298)	-
Acquisition of securities purchased under resale agreements (ii)	-	(358,384,734)	(358,384,734)
Proceeds from sale of securities purchased under resale agreements (ii)	5,726,420	363,807,606	369,534,026
Purchase of intangible assets (iii)	(78,000)	(1,052,843)	(1,130,843)
Others	596,415	-	596,415
Net cash used in investing activities	19,099,802	(1,052,843)	18,046,959
Securities purchased under repurchase agreements (ii)	(486,963)	486,963	-
Proceeds from issuance of securities sold under repurchase agreements (ii)	-	135,123,036	135,123,036
Repayment of securities sold under repurchase agreements (ii)	-	(135,609,999)	(135,609,999)
Others	(8,169,163)	-	(8,169,163)
Net cash provided by financing activities	(8,656,126)	-	(8,656,126)
Net decrease in cash and cash equivalents	(254,574)	-	(254,574)
Cash and cash equivalents at beginning of year	14,128,961	-	14,128,961
Effects of exchange rate changes on cash and cash equivalents	(547,772)	-	(547,772)
Cash and cash equivalents at end of year	13,326,615	-	13,326,615

JN BANK LIMITED**Notes to the Financial Statements
March 31, 2024****42. Prior period adjustments (continued)**

- (d) Fair value of financial instruments (see note 36)

	March 31, 2023		
	<u>As previously reported</u>	<u>Adjustments</u>	<u>As restated</u>
	\$'000	\$'000	\$'000
Financial assets not measured at fair value:			
Loans (iv)	<u>128,018,115</u>	<u>(18,090,004)</u>	<u>109,928,111</u>

- (i) During the year, the Bank determined that the effective interest on global and corporate bonds was inappropriately calculated. The necessary corrections have been implemented to reflect the accurate effective interest rate.
- (ii) During the year, the Bank identified errors in the presentation of cash flows under investing and financing activities:
- Securities purchased under resale agreements was presented in net rather than presenting as gross receipts and gross payments
 - The “purchase of investments” had a nil figure however, there were two lines relating to disposal of investments (“sale of investments” and “proceeds from disposal of investments”).
 - Securities sold under repurchase agreements was presented in net rather than presenting as gross receipts and gross payments

The comparative figures in 2023 were corrected for these errors.

- (iii) The “expenditure on IT projects in progress” which meet the definition of intangible assets, was incorrectly classified as “Other Assets” rather than as “Intangibles” in the FS. The errors have been corrected by restating each of the affected financial statement line items for the earliest prior period presented.
- (iv) The Bank also identified that the prior year disclosure of fair value of the loans was materially different than its carrying amount. The comparative disclosure in 2023 was corrected for this error.