JAMAICA NATIONAL GROUP

Directors' Report & Financial Statements

2022 and 2023

The Jamaica National Group Limited represents one of Jamaica's pre-eminent and most recognizable brands with over 14 decades of history in Jamaica and overseas. The Group is comprised of several world-leading entities which provide a wide array of financial, technology, creative and fleet management services, among others.

On February 1, 2017, the 142-year old Jamaica National Building Society (JNBS) was restructured and The Jamaica National Group Limited established and the deposit-taking arm of the building society was converted to JN Bank.

With membership as the ethos of its operations, the Group is committed to being a leading performer among mixed conglomerates in the region and that its performance directly benefits the people and communities that its subsidiaries serve.

The Jamaica National Group is also committed to the success and growth of its members while using business as a force for good so that, together, we can improve the outcome of Jamaicans globally.

TABLE OF

Contents

Mutuality **Statement**

Founded on the principle of "**mutuality**" in 1874, **The Jamaica National Group's** main goal is to create long-term value for our members and assist them to achieve their best outcomes.

Based on trust and benefit, mutuality means that we are owned by the savers and borrowers of JN Bank and their interests are safeguarded by us.

We strive to manage our members' affairs prudently and to satisfy their needs by offering products and services at the best rates, delivered by a highly competent team and supported by cutting-edge technology.

Our business conduct is guided by our principle of mutuality: one member, one vote, regardless of the level of savings of each member; or business conducted with entities in The Jamaica National Group. Therefore, the interest of all members are protected, whether large or small.

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE is hereby given that the 6th Annual General Meeting of Members of The Jamaica National Group Limited will be held at 3 p.m. on Tuesday, December 12, 2023 in a hybrid format – that is, both at a physical location and by live-streaming for the following purposes:

- To receive, consider and adopt the following:
  - The Directors' Report for the year ended March 31, 2023
  - The Auditors' Report for the year ended March 31, 2023
  - The Financial Statements for the years ended March 31, 2022 and March 31, 2023
- To appoint Auditors and authorise the Directors to fix their remuneration
- To elect Directors
- To consider and adopt amendments to the Articles of Incorporation
- To transact any other business permissible by the Articles of Incorporation at an Annual General Meeting

By Order of the Board
Dated November 20, 2023

SA Pickersgill

Shakira Pickersgill
Corporate Secretary
2-4 Constant Spring Road
Kingston 10, Jamaica, W.I.

Special instructions to participate in the 6th Annual General Meeting (AGM) of The Jamaica National Group Limited

The AGM will be held using technology or electronic means which will allow Members to participate in a similar manner as an in-person meeting, while also accommodating a few Members at a physical location (hybrid meeting). Members will be able to participate remotely via live-stream and will be able to vote on matters arising at the meeting once they register to attend the AGM. All registered Members, regardless of geographic location, will therefore have an equal opportunity to participate in the AGM. Voting by Members on all resolutions will be done electronically. Only those Members who have registered or their proxies will be able to vote on resolutions.

We encourage Members to monitor our website for all updates and information regarding the AGM. Information on how to access the AGM via live-stream and all other relevant matters will be provided on our website at **www.jngroup.com**.

Members are encouraged to submit their questions in advance of the AGM by sending an email to **agm@jngroup.com**. These questions will be addressed during the AGM as deemed reasonably practicable in the Chairman's discretion.

As a Member you may appoint a proxy to attend and vote at this meeting in your stead. A proxy need not be a member of the Company. The Proxy Form shall be provided by the Company Secretary on request and is also available at **www.jngroup.com**. The completed Proxy Form shall be signed by the Member and delivered to the Company Secretary at the registered office of the Company (2-4 Constant Spring Road, Kingston 10, Jamaica, W.I.) or via email at **agm@jngroup.com not less than 48 hours** before the time appointed for the holding of the AGM.

Voting Procedures

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands and by count of votes received electronically unless a poll is (before or on the declaration of the result of the show of hands or counting of votes received electronically) demanded:-

(a) by the Chairman; or

(b) by at least five Members present in person or by proxy.

The demand for a poll may be withdrawn.

In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded, shall be entitled to a second or casting vote.

Votes of Members

One Vote per Member

Every Member shall have one vote.

Representation in Person or by Proxy

On a poll, votes may be given either personally or by proxy.

Extracted from the Articles of Incorporation of The Jamaica National Group.

Vision **Statement**

A globally respected brand – boldly finding ways to enrich lives and build communities.

Mission **Statement**

Using innovative solutions to unleash the potential of our people.

Value **Statement**

We value all our stakeholders and promise to be:
Dependable | Authentic | Respectful | Transparent

Board of **Directors**

ELIZABETH ANN JONES, CD, FCA (Ja), FCCA (UK)
Chairman
Retired Senior Partner, KPMG
Appointment: January 11, 2017 (JNBS – 2014)

DHIRU TANNA, PhD, MA
Deputy Chairman
Founder and Director, Blue Power Group Limited
Appointment: December 16, 2016 (JNBS – 1981)

Hon. **EARL JARRETT,** OJ, CD, JP, CStJ, Hon. LL.D, Hon. EdD, Hon. Univ, FCA, MSc
Deputy Chairman & Chief Executive Officer
Appointment: December 16, 2016 (JNBS –1997)

Hon. **DOROTHY PINE-MCLARTY,** OJ, Hon. LL.D
Retired Partner, Myers, Fletcher & Gordon, Attorneys-at-Law
Appointment: January 11, 2017 (JNBS – 1988)

JENNIFER MARTIN, JP
Attorney-at-Law
Appointment: January 11, 2017 (JNBS – 2001)

PETER MORRIS, MBA, BSc (Hons)
Company Director
Appointment: January 11, 2017 (JNBS – 1993)

PARRIS A. LYEW-AYEE, CD, BSc, M.Eng.
Retired Geologist and Mineral Engineer
Appointment: January 11, 2017 (JNBS – 2007)

WILLIAM MAHFOOD, BSc., Hon. DPS
Chairman, Wisynco Group
Appointment: January 11, 2017 (JNBS – 2006)

AMBASSADOR **ROCKY R. MEADE,** CD, JP, PhD
Retired Chief of Defence Staff, Jamaica Defence Force
Permanent Secretary, Office of the Prime Minister
Appointment: June 16, 2022

RAPHAEL GORDON, FCA (Ja), FCCA (UK), FCMA (UK), CGMA (UK & USA)
Retired Managing Partner, KPMG
Appointment: January 11, 2017 (JNBS – 2009)

KATHLEEN AJ MOSS, MBA, BSc, CBV
Management Consultant/Chartered Business Valuator
Appointment: January 11, 2017 (JNBS – 2012)

PROFESSOR Hon. **TERRENCE FORRESTER,** OJ, MBBS, DM, FRCP, PhD
Chief Scientist, UWI SODECO and Professor of Experimental Medicine
Appointment: September 14, 2021

Board of **Directors**

GLADSTONE 'TONY' LEWARS, CD, FCA, MSc, BSc
Retired Partner, PricewaterhouseCoopers
Appointment: September 14, 2021

SHAKIRA PICKERSGILL, LEC, LLB, BSc
Corporate Secretary
Appointment: September 19, 2019

COLETA SHIELDS, LEC, LLB
Staff Director (2021-2022)
Manager, Corporate Integrity Unit

DENISE SUBARAN, MBA, BSc
Staff Director (2022-2023)
Strategy & Planning Officer, Strategy Management Office

Corporate Governance **Report**

The Jamaica National Group Limited is committed to observing corporate governance international best practices, procedures, standards and guidelines; and adhering to local statutory and regulatory obligations. The organisation's solid corporate governance framework ensures that there is a clear separation of powers and responsibilities; and well established systems uphold compliance, transparency and accountability.

The Board of Directors

The fundamental remit of the Board is to approve the Group's strategic direction and provide general oversight of the Group's businesses and affairs; and to exercise reasonable business judgment on behalf of the Group. The activities of the Group are closely monitored by the Board through a well-established governance structure.

During the 2021/22 financial year, the Group was overseen by a Board of Directors of 12, plus a Staff Director. Five meetings were held during the financial year. Two meetings were attended by all Directors, two by 10 Directors, and one by nine Directors. For the 2022/23 financial year, the Board was comprised of 14 members, inclusive of a Staff Director. During that financial year, four Board meetings were convened, with attendance as follows: one meeting was attended by all Directors; one meeting was attended by 13 Directors, one by 11 Directors; and one by nine Directors.

Board Committees

(i) Audit Committee

The Audit Committee is responsible for monitoring compliance with the Group's risk management policies and procedures; providing oversight of internal audit and the relationship with the external auditors; and ensuring integrity of financial reporting.

The Committee is comprised of three independent members: Raphael Gordon – Chairman, Sethuraman Kumaraswamy and Kathleen A.J. Moss.

Four meetings of the Committee were held during both the 2021/22 and 2022/23 financial years, with all three members being present.

(ii) Finance Committee

The Finance Committee supports the Board's oversight function by, inter alia, establishing the Group's risk policies; supervising the risk management framework and monitoring adherence to limits; ensuring that appropriate credit and risk policies are in place across the Group; reviewing monthly financial statements; monitoring the performance of each company against established targets; and reviewing financial forecasts, budgets, capital expenditure, expense management and performance.

During the 2021/22 financial year the Committee met on two occasions, and once during the 2022/23 financial year. The meetings were attended by all seven Committee members:

- Elizabeth Ann Jones, CD – Chairman
- Hon. Earl Jarrett, OJ, CD
- Parris Lyew-Ayee, CD
- William Mahfood
- Peter Morris
- Kathleen A.J. Moss
- Dhiru Tanna, PhD

(iii) Compensation, Governance and Nomination Committee

The Compensation, Governance and Nomination Committee is responsible for evaluating the Group's Executive team. It also has oversight of Board and Executive compensation systems and succession planning. The Committee is comprised of Dhiru Tanna, PhD – Chairman, Elizabeth Ann Jones, CD, Hon. Earl Jarrett, OJ, CD and Peter Morris. The Committee is assisted in its deliberations by the Executive, People and Culture.

Corporate Governance **Report**

CONT'D

(iv) Conduct Review Committee

The principal purpose of the Conduct Review Committee is to review and regulate matters dealing with key stakeholders' conduct including related party transactions, conflict of interest, fraud, sexual harassment, and whistleblowing.

The Committee members are:

- Caryl Fenton – Chairman
- Hon. Earl Jarrett, OJ, CD
- Hon. Shirley Tyndall, OJ, CD
- Christopher Barnes
- Peter Morris
- Kathleen A.J. Moss
- Kay Osborne

The Committee is assisted in its deliberations by the General Legal Counsel.

During the 2021/22 financial year, the Committee met four times: two meetings were attended by all members, one meeting by six members and one meeting by five members. Of the four meetings held during the 2022/23 financial year, three meetings were attended by all members and one meeting by six members.

(v) Proxy Committee

The Proxy Committee is a special Committee of the Board, and its remit is to consider and approve the appointment of general proxies with respect to meetings of the members of the Company. The Committee is comprised of the following:

- Elizabeth Ann Jones, CD - Chairman
- Dhiru Tanna, PhD
- Hon. Earl Jarrett, OJ, CD
- Hon. Dorothy Pine-McLarty, OJ
- Jennifer Martin
- Peter Morris

During the 2022/23 financial year the Committee met once, and five members were in attendance.

(vi) Nominations Committee

The primary objective of the Nominations Committee is to establish a transparent procedure for the nomination of members for the Group and subsidiary Boards. The Committee is also charged with overseeing the evaluation of the performance of the Boards and Committees across the Group.

The Committee is comprised of the following members: Gladstone Lewars, CD – Chairman, Elizabeth Ann Jones, CD, Hon. Earl Jarrett, OJ, CD, JP and Parris Lyew-Ayee, CD.

During the 2021/22 financial year, the Committee met on three occasions. Four meetings were convened during the 2022/23 financial year. All Committee members attended the meetings held during the reporting periods.

Board Committees **of The Jamaica National Group Limited**

AUDIT COMMITTEE

Raphael Gordon, Chairman
Sethuraman Kumaraswamy
Kathleen A.J. Moss

CONDUCT REVIEW COMMITTEE

Hon Justice Hilary Phillips (Retired), CD, KC
- Chairman (Appointed September 4, 2023)
Caryl Fenton (Resigned March 7, 2023)
Peter Morris
Christopher Barnes
Kay Osborne
Hon Shirley Tyndall, OJ, CD
Kathleen A.J. Moss
Hon Earl Jarrett, OJ, CD
Tasha Manley

COMPENSATION, GOVERNANCE & NOMINATION COMMITTEE

Dhiru Tanna, PhD, Chairman
Hon Earl Jarrett, OJ, CD
Peter Morris
Elizabeth Ann Jones, CD

JN BANK BOARD FINANCE COMMITTEE

Kathleen A.J. Moss, Chairman
Hon Earl Jarrett, OJ, CD
Elizabeth Ann Jones, CD
Dhiru Tanna, PhD
Peter Morris

BOARD FINANCE COMMITTEE

Elizabeth Ann Jones, CD, Chairman
Hon Earl Jarrett OJ, CD
Parris Lyew-Ayee, CD
Dhiru Tanna, PhD
William Mahfood
Kathleen A.J. Moss
Peter Morris

JN FINANCIAL GROUP BOARD FINANCE COMMITTEE

Elizabeth Ann Jones, CD, Chairman
Kathleen A.J. Moss
Peter Morris
Dhiru Tanna, PhD
Hon Earl Jarrett OJ, CD

PROXY COMMITTEE

Elizabeth Ann Jones, CD, Chairman
Dhiru Tanna, PhD
Hon Dorothy Pine-McLarty, OJ
Hon Earl Jarrett, OJ, CD
Jennifer Martin, JP
Peter Morris

RISK COMMITTEE

Colin Mander, Chairman
Elizabeth Ann Jones, CD
Hon Earl Jarrett, OJ, CD
Raphael Gordon
Curtis Martin
Prof. Daniel Coore
Prof. Gunjan Mansingh

NOMINATIONS COMMITTEE

Gladstone Lewars, CD, Chairman
Elizabeth Ann Jones, CD
Hon Earl Jarrett, OJ, CD
Parris Lyew-Ayee, CD

POLICY COMMITTEE

Hon Justice Hilary Phillips (Retired), CD, KC, Chairman
Annaliesa Lindsay

Audit Committee **Report**

We are pleased to present our report for the financial year ended March 2023

Composition and Meetings of Audit Committee

The Audit Committee comprising Raphael Gordon (Chairman), Kathleen Moss and Sethuraman Kumaraswamy were appointed in March 2017 for The Jamaica National Group Limited (TJNG), JN Financial Group Limited (JNFG), JN Bank Limited (JN Bank) and MCS Group Limited. Meetings are scheduled quarterly. During the year, four (4) meetings were held; KPMG was invited to two (2) of these meetings and key members of the audit engagement team attended and discussed significant matters relating to March 31, 2022 year-end audit and plans for the year ending March 31, 2023. The three (3) members were present at all four meetings.

The Audit Committee (AC) covers a variety of topics in its meetings. These include both standing items that the AC considers as a matter of course, typically in relation to the financial reporting, control matters, accounting policies and judgements and reporting matters, and a range of topics relevant to JN Group's control framework. The Committee met privately with the external Auditors and the Chairman met separately with the Chief Internal Auditor, as was necessary. The Committee has unrestricted access to the Group's documents and information, as well as to management and the external Auditors. Minutes of Audit Committee meetings are included in the papers for meetings of the Board and the Chairman of the Audit Committee reports on significant issues arising in Committee meetings to the respective Boards.

Audit Committee responsibilities

The Audit Committee has the following key functions and responsibilities:

- Review and discuss with management and the external auditors, accounting and financial reporting issues.
- At least annually prior to the filing of the audit report with the Bank of Jamaica or other regulatory bodies, review and discuss reports from the external auditors.
- Consider the effectiveness of internal control systems, including information technology security and controls.
- Review with management, the external auditors and the chief internal auditor, plans, activities, staffing and organisational structure of the internal audit function, and any recommended changes thereto, as well as staff qualifications.
- Meet with the external auditors to discuss the external auditors' independence, proposed audit planning, scope, staffing and approach, including coordination of activities with internal audit.
- Review the effectiveness of the system for monitoring compliance with laws and regulations.
- Meet with management to review the company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the company's risk assessment and risk management policies.
- Regularly report to the Board of Directors about Committee activities, issues and related recommendations.
- Annually review the Committee's own performance.
- Evaluate the Internal Audit Unit on an annual basis.

The effectiveness of Internal Controls

The main objectives of the internal controls system are:

a. to ensure adherence to management policies and directives in order to achieve efficiently and economically the organisation's objectives;
b. to safeguard assets;
c. to secure the relevance, reliability and integrity of information, so ensuring as far as possible the completeness and accuracy of records; and
d. to ensure compliance with regulatory and statutory requirements.

Audit Committee **Report**

CONT'D

Based on the work undertaken during the year and the implementation by management of the recommendations made, Internal Audit can provide reasonable assurance that the Group has adequate and effective governance and internal control processes. Some compliance issues and non-adherence to policies were noted, communicated and are being followed up by management, Internal Audit and the Risk & Compliance Department to avoid recurrence.

Training and Development

Members of the Internal Audit Unit possess internationally recognized professional designations. They also participate in ongoing professional development training.

Audit Committee's activities during 2022/2023

- **External Auditors & Audited Financial Statements** We had meetings and discussions with the external auditors to identify any significant audit issues arising from their examination and issues communicated in their management letters. There were no major issues arising from their examination. Internal Audit followed up on the matters included in the external auditors' management letters to have management deal with them. A 2023 audit planning meeting was also held at which we discussed the Auditors' responsibilities in relation to the audit. The external auditors' independence was also evaluated and we are satisfied that they have maintained their independence as required by The International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code).

  We reviewed and approved thirty-eight (38) audited financial statements as at and/or for years ended December 31, 2021 and March 31, 2022 for TJNG and all its subsidiaries and related entities.

- **Review of Directors' Reports** - The 2021 Directors' Reports for JN Life Insurance and JN General Insurance were also reviewed and approved.

- **Internal Audit** - The Committee reviewed and approved the Group's Audit Plan for the year ended March 31, 2023. We received and reviewed quarterly reports from the Group's Chief Internal Auditor. The Chief Internal Auditor periodically assesses whether the purpose, authority, and responsibilities of the internal audit function continue to enable it to accomplish its objectives. The results of assessment done during the year were communicated to the AC and included a reconfirmation of the continued validity of the charter of the internal audit function. The committee also conducted an evaluation of the quality, efficiency and effectiveness of the internal audit function including the competence, qualifications and expertise of team members.
- **Risk Management & Controls** - The AC reviewed reports on risks, controls and assurance, in order to monitor the effectiveness of the procedures for internal control over financial reporting, compliance and operational matters. The AC discussed compliance with applicable external legal and regulatory requirements.

Comments on subsidiaries

Internal audit reviews were conducted at entities within The Group during the year, per the Internal Audit Plan. The scope of the reviews included follow up on points raised in internal audit and external audit reports and regulatory reports (where applicable). Matters discussed in respect of JN Fund Managers Limited (JNFM) and other group subsidiaries which do not have their own Audit Committees were submitted to the Corporate Secretary for submission to their respective Boards. Meetings were held quarterly for JNGI and JN Life Insurance. Summaries of the issues discussed were included in the reports to TJNG Board and JNFG Board. Reports for the other entities were discussed at TJNG, JN Bank or JNFG Audit Committee meetings. The Committees are satisfied that issues raised in audit reports were addressed or are being addressed by management.

Raphael Gordon

Chairman of the Audit Committee
Date: April 13, 2023

Group Finance Committee **Report**

The Finance Committee of The Jamaica National Group Limited provides support to the Board of Directors to ensure that the Board's fiduciary and oversight roles are met. The Committee's overarching objective is to provide oversight of management's actions in managing the financial affairs of the company. As such, the Committee has responsibility to oversee the company's finances, and its financial reports and reporting. The Committee performs the following roles:

- Review the capital structure, dividend policy, annual capital plan, capital adequacy process, capital raising and capital allocation across The Jamaica National Group, JN Financial Group, MCS Group and their subsidiaries
- Review monthly financial statements and monitor performance of each company against established targets and make recommendations for performance improvement
- Review financial forecasts, operating budgets, capital expenditures, expense management and performance relative to competitors
- Establish the Group's risk policies, including risk tolerances, and ensure that senior management establishes an enterprise wide risk management framework for all business units
- Oversee credit, market and operational risk management, and monitor risk profiles as well as exposures against established limits
- Ensure that senior management implements processes to identify, measure, monitor and control risks (credit, market, liquidity, operational and strategic)
- Ensure that appropriate credit policies are in place in all companies
- Review any initiatives, including appraisal of investments, mergers, acquisitions and disposals that exceed management thresholds and make recommendations to the Board as necessary and
- Ensure legal and regulatory compliance, as well as monitor adherence to limits and tolerance levels established by the Board.

Members and Meeting Attendance

The Committee is comprised of seven (7) Directors appointed by the Board, six (6) of whom are independent. It is assisted in its deliberations by the Chief Executive Officer. The members are:

- Elizabeth Ann Jones, CD – Chairman
- Dhiru Tanna, PhD
- Parris Lyew-Ayee, CD
- William Mahfood
- Peter Morris
- Kathleen A.J. Moss
- Hon. Earl Jarrett, OJ, CD, JP.

All members of the Committee attended the three (3) Committee meetings convened during the financial years ended March 31, 2022 and March 31, 2023. Said meetings were held on June 14, 2021, January 20, 2022 and December 12, 2022.

The Finance Committee was subsumed into the Board Risk Committee subsequent to the 2022/23 financial year end.

MEMBER	14-JUN-2021	20-JAN-2022	12-DEC-2022
Elizabeth Ann Jones, CD - Chairman	✔	✔	✔
Parris Lyew-Ayee, CD	✔	✔	✔
William Mahfood	✔	✔	✔
Peter Morris	✔	✔	✔
Kathleen A.J. Moss	✔	✔	✔
Dhiru Tanna, PhD	✔	✔	✔
Hon. Earl Jarrett, OJ, CD, JP	✔	✔	✔

KEY ✔ Present x Apology Received

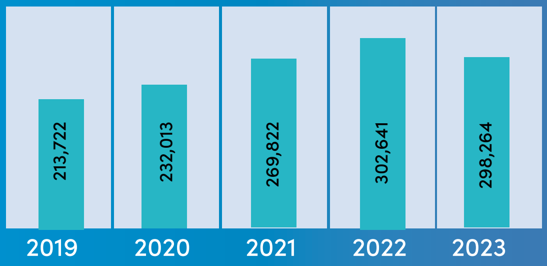
Elizabeth Ann Jones

ELIZABETH ANN JONES
Chairman

JN Group Financial **Highlights**

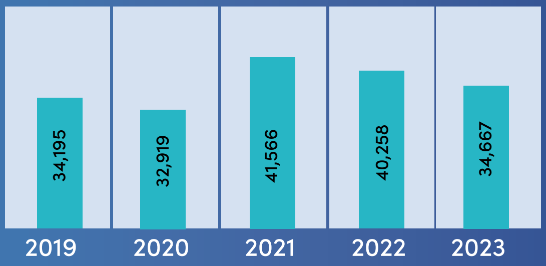
J$M	2019	2020	2021	2022	2023
Total Assets	213,722	232,013	269,822	302,641	298,264
Total Equity	34,195	32,919	41,566	40,258	34,667
Loan Balance	97,507	110,831	116,961	130,244	143,763
Total Customer Deposits	129,493	139,866	171,650	193,284	201,817
Total Operating Revenue	21,016	22,381	28,806	26,756	30,350
Surplus Before Taxes	1,272	1,376	7,939	145	(3,011)

Total Assets (J$)



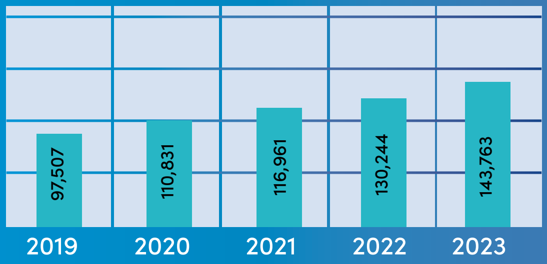
Total Assets down -1.4%
from $302.6B to $298.2B

Total Equity (J$)



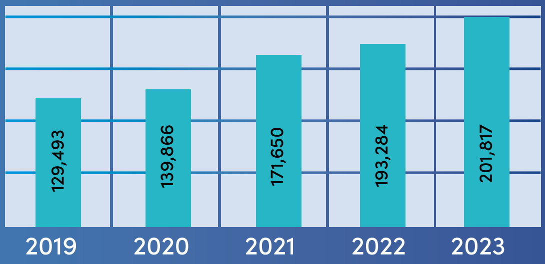
Total Equity down -13.9%
from $40.2B to $34.6B

Loan Balance (J$M)



Loans to members up 10.4%
from $130.2B to $143.7B

Customer Deposits (J$M)



Customer Deposits up 4.4%
from $193.2B to $201.8B




DEPENDABILITY

AUTHENTICITY

RESPECT

TRANSPARENCY

WE VALUE OUR STAKEHOLDERS

Dependability: We will be available to our members, always helping them find a way.

Authenticity: We value down-to-earth genuineness, faithful to the empowerment of our members and community.

Respect: We are committed to making all members feel respected and treated with courtesy.

Transparency: We are inclusive, sharing information and listening to our members to build trust.

Chairman's **Report**

ELIZABETH ANN JONES, CD, FCA, FCCA
Chairman

The Jamaica National Group Limited is the parent company of a diverse group of companies that offer financial and non-financial products and services in the Caribbean, United States of America, Canada and the United Kingdom. We are committed to meeting the needs of our members and customers wherever they reside, putting 'People First' to help them find a way to unlock possibilities for individuals and businesses alike.

This year, we present the audited financial statements for 2021/2022 and 2022/2023. Special permission was sought and received from the courts to extend the period for holding the 2021/2022 meeting, and as a consequence, we are combining the two annual general meetings.

For the third consecutive time, the annual general meeting is in a hybrid format, online and in person, a new norm of hosting meetings which emerged as a result of the COVID-19 global pandemic. The advantage of this format is that we can better facilitate the participation of our members, who reside in Jamaica and several other countries across the Jamaican diaspora.

Review

The 2022 and 2023 financial years, our operations were able to adapt to the constantly evolving economic and business environment to achieve business continuity and profitability. During this period the Group weathered its harshest test yet as it navigated the various global and local economic, health, and social challenges. Our companies, like many others worldwide, were not immune to the effects of the pandemic that swept across the world and ravaged economies and businesses. The added effects of the Russian war on Ukraine influenced global inflation and high interest rates that eroded the value of investments. Like us, many businesses were forced to assess their operations and implement measures to maintain viability, even as we looked to chart new pathways.

As a result of these challenges, we had to work hard to maintain our market share and, in some instances, manage the slippages which occurred in some business lines. Our response included increasing the capital base of some entities and ring-fencing their operations with support from the parent company to ensure their continued performance during the period. Changes at the senior leadership level strengthened the governance and accountability framework of some companies. A detailed report on the past two years can be found in the Group Financial and Operational Report section immediately following the Chief Executive Officer's Report.

Governance

Board evaluations were conducted to strengthen our governance framework and to ensure that directors are qualified and possess the requisite experience and relevant skills to provide effective oversight. A Policy Advisory Committee was also established to improve our internal operations and to leverage growth opportunities.

The board, cognisant of its fiduciary responsibilities, participated in several training programmes to enable it to provide appropriate governance and oversight to the Group's operations. These programmes included Financial Laws, Governance & Directors' Duties; Cybersecurity; Risk Management

Chairman's **Report**

CONT'D

framework; Anti-Money Laundering & Counter Financing of Terrorism, and Environmental, Social and Governance (ESG).

Directors

Directors bear enormous responsibilities. I thank all directors of our member companies who have agreed to serve the JN Group. Their prudent oversight, supported by insightful management strategies, enabled the companies to benefit from the highest levels of skill and diligence regarding significant decisions taken over the last two years.

In keeping with Sections 97 and 98 of the Articles of Incorporation of The Jamaica National Group Limited, two serving directors are retired by rotation annually. For the 2021/2022 financial year, the retiring directors were Dr Dhiru Tanna and the Hon. Earl Jarrett, and those for the 2022/2023 year are Mrs Jennifer Martin and Mr Raphael Gordon. These directors, being eligible, offer themselves up for re-election.

I am also pleased to announce the appointment of Ambassador Rocky Meade, former Chief of Staff of the Jamaica Defence Force, to the board of The Jamaica National Group Limited. Ambassador Meade's vast expertise in devising strategies will immensely benefit our Group.

After the end of the 2022/2023 financial year, the following board appointments were made:

- Mr Colin Mander as Chairman of JN Bank (United Kingdom)
- Justice Hillary Phillips (Ret'd) as a director of JN Life Insurance Company Limited
- Mr Keith Levy as a director of JN Fund Managers Limited and JN Bank Limited (Jamaica)
- Mrs Mariame McIntosh Robinson as a director of JN Bank Limited (Jamaica)

I wish to place on record our appreciation to Mr Ian Marshall for his chairmanship of JN Bank UK, a position he held from its inception to January 2023. I also wish to thank Mr William Mahfood, who will be stepping down as a director of The Jamaica National Group Limited, JN Financial Group Limited and Chairman of JN Money Services Limited on December 31, 2023. William's tenure as a director spans 17 years during which he contributed tremendously to the boards through his invaluable insights into business, risk and financial matters. We wish him well as he embarks on another journey of service to others and his country.

We also acknowledge the passing of several former and serving directors during the period. Mr John Small, who passed away in May 2022, served on the Board of the Jamaica National Building Society and, subsequently, The Jamaica National Group Limited before retiring in December 2020. We also bade farewell to former director, Dr Henry 'Marco' Brown in October 2022. Dr Brown served the Jamaica National Building Society and its predecessor, St James Benefit Building Society for almost three decades until his retirement in 2014. In October 2023, we also paid tribute to the life and work of Sheila Alexander, a director of JN Money Services (North America) Limited who served in that capacity for almost two decades. We are grateful for the wisdom and guidance they provided during their tenure as directors of the JN Group.

Auditors

We register thanks to the auditing firm, KPMG, Chartered Accountants, and in accordance with the Articles of Incorporation of The Jamaica National Group Limited, acknowledge their retirement and, being eligible, recommend their re-appointment.

Conclusion

I thank the directors and employees of all the companies in the Group for staying the course during these difficult years. I also thank our members for your continued faith in us and the responsibilities entrusted to us as a Group. We remain committed to providing a clear perspective of the Group's strategy, governance, performance and prospects, even as we manoeuvre in the current environment to create and protect value in the organisation.

Elizabeth Ann Jones, CD
Chairman

Chief Executive Officer's **Report**

HON. EARL JARRETT, OJ, CD, JP, CStJ, Hon. LL.D, Hon. EdD, Hon. Univ, FCA, MSc
Deputy Chairman & Chief Executive Officer

The external factors in the global and local economic environments over the past two years impacted The Jamaica National Group in ways we could not have predicted. Rising inflation, supply chain disruptions, declining global bond prices, increasing interest rates and general volatility in economies were some of the exogenous factors we faced. The spin-off effect reduced our profitability and placed pressure on the capital of the Group.

Due to the constrained growth caused by these mitigating factors, we shifted our attention away from some of our other plans and focused heavily on the sustainability of some companies. Our attention turned inward to bolster our company structures to achieve greater levels of efficiency and push forward innovations in the pipeline. We also explored initiatives to minimise cost and capital loss due to lower profitability.

Strategic Priorities

Significant time and resources were spent working steadily on our two strategic flagship initiatives – ONE JN Passport and Project Rubicon - to revolutionise how we assess credit and interact with our members and customers.

The ONE JN Passport is a digital, membership and customer experience platform that will eliminate the need for persons having to give the same basic customer information repetitiously when doing business with companies in our financial group. The information will be automatically accessible to the companies. Customers need not resubmit information they already provided once it is current if doing business with another JN company. This reduces paperwork by providing members with a "JN identity" that enables us to know members and customers better.

Following our submission in January 2023 and a seven-month review by the Bank of Jamaica, we received approval to operationalise the ONE JN Passport platform. Since then we have launched the ONE JN Passport app to employees and some members of the wider JN family. The app can be downloaded from the Google Play Store or App Store. It allows users to update their customer information, open savings accounts with ease in Jamaican, Pound Sterling, USA, Canadian or Caymanian currencies; and apply for unsecured loans. We are excited about the ability of this new system to make it easier for our members and customers to do business with us.

Project Rubicon is our plan to implement a new digital credit process by taking a new approach to lending and credit risk management. We began work on this project three years ago under our Digitalisation strategy. Our objective is to improve our efficiency and remove subjectivity in the decision-making process regarding the approval of loans. It will also reduce the information collected to make that decision and improve our overall customer and staff experience. We have been building out the components of the project that we plan to implement across the JN Group, starting with JN Bank Jamaica. We have been testing the personal unsecured loan through the ONE JN Passport and are pleased with the results. We were advised by the Bank of Jamaica that it has no objection to this new credit process; therefore, we can proceed with implementation following the pilot. This is good news as Horizon 1 is almost complete, and we look forward to the significant difference it will make in having loans approved for our members and customers.

Leadership Changes

An assessment of our operations indicated that some of our companies were not performing optimally. This was exacerbated by the macroeconomic factors that curtailed the organic growth of the companies.

Chief Executive Officer's **Report**

CONT'D

One of the areas in which we recognised that a shift was needed was at the senior management level to strengthen the operational structure and efficiency of the Group; and, by extension, deliver positive performance results by the companies. Staff rotations were done at the leadership level of the general insurance and investment companies, and a robust recruitment process was undertaken to identify candidates for the other positions.

This led to the general manager of the general insurance company and managing director of the investment entity, JN Fund Managers, moving to the core executive body while senior executives at the Group level were reassigned to fill these roles. A similar assessment at the bank in the UK resulted in a mutually agreed end-of-engagement with the chairman and chief executive officer.

Based on these changes, Brando Hayden was assigned as Managing Director of JN Fund Managers Limited; Dr Dana Morris Dixon was appointed Managing Director of JN General Insurance Company Limited; and Paul Noble as Chief Executive Officer of JN Bank UK. Dr Dixon served in this capacity for one year before leaving to take up a ministerial appointment with the Government of Jamaica. Mr Thomas Smith was subsequently engaged to replace Dr Dixon. I use this medium to thank Messrs Dean Fensome, Chris Hind and Allan Lewis, and Dr Dana Morris Dixon for their leadership of entities within the JN Group and wish them success in their future endeavours.

Work is always ongoing to further strengthen the Executive Team and ensure effective succession planning remains among the top priorities of the Group. The movement of key senior management resources across companies in the Group has served us well, and we will continue to employ this strategy to ensure our companies benefit from the best resources available.

Team Spirit

Our Group's success is heavily dependent on the team of committed employees. I must commend the staff for being flexible and adaptable to the new work environment in effect over the past three years. We remain committed to the concept of flexible work arrangements that allow for hybrid working. However, constant monitoring of the performance of staff working remotely is done, and adjustments are made as needed to ensure that productivity is at the optimum.

A key component of keeping our team together during this challenging period is the ONE JN culture transformation journey we embarked on just before the COVID-19 pandemic. It is designed to unite team members across all companies in a common culture centred on the values, Dependability, Authenticity, Respect and Transparency, simply referred to as DART values, so that we can best serve JN members, while enriching our own lives. The impact of this cultural transformation is very positive because stronger cross-border collaborations are being forged between teams in various countries. Through the ONE JN programme and our DART values, we hold each other accountable, support each other during difficult periods, and collectively celebrate our successes.

And even as we acknowledge our camaraderie, we pause to reflect on the lives of those who have impacted us as a Group. During the period, we mourned the passing of one of our chaplains, the Right Reverend Dr Robert Thompson, Retired Anglican Bishop of Kingston, who provided us with spiritual counsel and support; and researcher and pollster Bill Johnson, who for nearly two decades provided us with insights into our engagements with our various stakeholders to guide the growth and success of the organisation.

The Path Ahead

As we reflect on the past two years, the purpose for which JN was established has helped to guide us through the challenges. Despite the setbacks experienced, the strides we have made would not be possible if not for our staff, partners, and stakeholders, and with that, I would like to express my gratitude for what we have accomplished together.

We remain grounded on the solid foundation that we are a member-owned organisation with a mandate of putting our members first through the delivery of high-quality products, excellent customer service and significant value. Whilst we acknowledge that change is constant, and we must adapt to meet the needs of an ever-changing member base, there is one that will not change - our commitment to provide the very best products and services to our members and customers.

Hon. Earl Jarrett, OJ, CD, JP, CStJ, Hon. LL.D, Hon. EdD, Hon. Univ, FCA, MSc
Deputy Chairman & Chief Executive Officer

Membership of **Boards**

THE JAMAICA NATIONAL GROUP LIMITED
Elizabeth Ann Jones, CD, *Chairman*
Dhiru Tanna, PhD, *Deputy Chairman*
Hon. Earl Jarrett, OJ, CD, *Deputy Chairman*
Hon. Dorothy Pine-McLarty, OJ
Hon. Prof. Terrence Forrester, OJ
Ambassador Rocky Meade, CD, PhD
Parris Lyew-Ayee, CD
Gladstone Lewars, CD
Jennifer Martin
William Mahfood
Peter Morris
Raphael Gordon
Kathleen A.J. Moss
Coleta Shields *(Staff Director January- December 2022)*
Denise Subaran *(Staff Director January- December 2023)*

JN FINANCIAL GROUP LIMITED
Elizabeth Ann Jones, CD, *Chairman*
Hon Dorothy Pine-McLarty, OJ
Hon Earl Jarrett, OJ, CD
Raphael Gordon
Parris Lyew-Ayee, CD
Dhiru Tanna, PhD
William Mahfood
Jennifer Martin
Peter Morris
Kathleen A.J. Moss
Keith Levy
Prof. Gunjan Mansingh
Curtis Martin, *Managing Director*

MCS GROUP LIMITED
Raphael Gordon, *Chairman*
Hon Molly Rhone, OJ
Hon Earl Jarrett, OJ, CD
Dhiru Tanna, PhD
Wendell Smith
Rachel McLarty
Dan Theoc
Philip Bernard
Rakesh Goswami, *Managing Director*

JN BANK LIMITED
Kathleen A J Moss, *Chairman*
Hon Earl Jarrett, OJ, CD
Elizabeth Ann Jones, CD
Gladstone Lewars, CD
Dhiru Tanna, PhD
Raphael Gordon
Keith Levy
Mariame McIntosh Robinson
Jennifer Martin
Peter Morris
Curtis Martin, *Managing Director (September 12, 2018-June 30, 2022)*
Leesa Kow, *Managing Director (effective July 1, 2022)*

JN SMALL BUSINESS LOANS LIMITED
Parris Lyew-Ayee, CD, *Chairman*
Hon Earl Jarrett, OJ, CD
Randolph Cheeks
Cosma Earle
Pansy Johnson
Mary Allen Smith

JN BANK UK LTD.
Colin Mander, *Chairman*
Elizabeth Ann Jones, CD
Hon Earl Jarrett, OJ, CD
Maggie Semple
Asif Ahmad
Warren Justice
Paulette Simpson, CBE
Nicole Coll
Andrew Parr
Paul Noble, *Chief Executive Officer*

JN CAYMAN
Gladstone Lewars, CD, *Chairman*
Hon Earl Jarrett, OJ, CD
Sharon Braithwaite
Derek Jones
Marcus Simmonds
Jermaine Deans, *Managing Director*

JAMAICA NATIONAL BUILDING SOCIETY FOUNDATION
Parris Lyew-Ayee, CD, *Chairman*
Hon Earl Jarrett, OJ, CD
Jennifer Martin
Mary Allen Smith

JN FUND MANAGERS LIMITED
Elizabeth Ann Jones, CD, *Chairman*
Hon Earl Jarrett, OJ, CD
Dhiru Tanna, PhD
Caryl Fenton
Monica Ladd
Keith Levy
Peter Morris
Keith Senior
Sonja Salmon
Curtis Martin
Brando Hayden, *Managing Director*

JN GENERAL INSURANCE COMPANY LIMITED
Peter Morris, *Chairman*
Hon Earl Jarrett, OJ, CD
Hon Shirley Tyndall, OJ, CD
Kathleen A.J. Moss
Sethuraman Kumaraswamy
Sherry Ann McGregor
Wendell Smith
Prof. Daniel Coore, PhD
Curtis Martin
Thomas Smith, *Managing Director*

JN LIFE INSURANCE COMPANY LIMITED
Peter Morris, *Chairman*
Hon Earl Jarrett, OJ, CD
Hon Justice Hilary Phillips (Retired), CD, KC
Christopher Barnes
Kay Osborne
Curtis Martin
Lancelot Henry

JN MONEY SERVICES LIMITED
William Mahfood, *Chairman*
Hon Dorothy Pine-McLarty, OJ
Hon Earl Jarrett, OJ, CD
Bridgett Michelle Clarke
David Jessop
Angella Rainford
Gladstone Lewars, CD

JN MONEY SERVICES (CANADA) LIMITED
Hon Earl Jarrett, OJ, CD, *Chairman*
Sheila Alexander *(Deceased-October 7, 2023)*
Horace Hines

JN MONEY SERVICES (CAYMAN) LIMITED
Gladstone Lewars, CD, *Chairman*
Hon Earl Jarrett, OJ, CD
Monique Hamaty-Simmonds
Horace Hines
Curtis Martin

JN MONEY SERVICES (UK) LIMITED
Hon Earl Jarrett, OJ, CD, *Chairman*
Paulette Simpson, CBE
Horace Hines

JN MONEY SERVICES (USA) LIMITED
Hon Earl Jarrett, OJ, CD, *Chairman*
Sheila Alexander *(Deceased-October 7, 2023)*
Derryck Cox
Horace Hines
Curtis Martin

JN PROPERTIES LIMITED
Hon Earl Jarrett, OJ, CD, *Acting Chairman*
Elizabeth Stair, OD
Joy Brady
Rakesh Goswami

MANAGEMENT CONTROL SYSTEMS LIMITED
Hon Earl Jarrett, OJ, CD, *Chairman*
Hon Molly Rhone, OJ
Shereen Jones
Dianne Smith-Sears
Wendell Smith
Rakesh Goswami

THE CREATIVE UNIT LIMITED
Hon Earl Jarrett, OJ, CD, *Acting Chairman*
Joy Brady
Rakesh Goswami

THE JAMAICA AUTOMOBILE ASSOCIATION (SERVICES) LIMITED
Hon Earl Jarrett, OJ, CD, *Chairman*
Philip Bernard
Phillip Powe
Wendell Smith
Rakesh Goswami

TOTAL CREDIT SERVICES LIMITED
Hon Earl Jarrett, OJ, CD, *Acting Chairman*
Carlton Earl Samuels, CD
Leon Mitchell
Joy Brady
Rakesh Goswami
Howard Lawrence

Financial and Operational **Report**

The financial period under review brought mixed fortunes. Although some economies showed resilience and an encouraging outlook following the end of the pandemic, subsequent geopolitical events negatively impacted the economies in which The Jamaica National Group operates, resulting in supply chain disruptions, spiking inflation, fears of recession, and a widespread cost-of-living crisis. Pressures forced JN companies to demonstrate the Group's strategic pillars of Sustainability, Digitalisation and People First to members and customers in meaningful ways.

People Focused

Opportunities to serve members and customers reaffirmed the People First commitment to continued service delivery improvements. JN Bank Jamaica implemented phase two of the queuing system, Queuerite, to further improve in-branch customer service operations. Customers can now make appointments via the JN Bank Jamaica website resulting in better customer flow management in branches and this has significantly reduced the waiting time for people visiting our branches.

Concurrently, continued investment in the ATM network and other self-service capabilities resulted in fewer persons entering the banking halls to access services. The merchant digital payment project has more than 300 local merchants testing the system, with plans to go live during the next financial year. Revamping the system of straight-through processing of incoming wire payments has also resulted in a significant reduction in the average time for completing each transaction.

Efforts are ongoing to improve our service delivery and presence in our overseas markets. Concerns raised by members in the United States of America and the United Kingdom about the remote concierge Customer Service Representative (CSR) system at the Contact Centre have been noted and remedies are being implemented. The upgraded call management system has resulted in better response times to appointment requests. Continuous monitoring is also being done to ensure that this remains an effective communication channel for members and customers.

Increased targeting of financial institutions by criminals has led to more concern about staff and member safety. With repeated vandalism of ATMs and bank locations, and several security incidents which directly threatened the lives of employees, members and security service providers, a decision was taken to close one bank location in Whitehouse, Westmoreland, after 16 years of operation. Security measures have also been enhanced at all JN locations to further increase the level of safety for staff and persons who conduct business at our locations.

The JN Foundation is the medium through which the Group's purpose is made manifest. The social investment arm provides opportunities for members, stakeholders and underserved groups to access initiatives that take a holistic approach to uplifting lives. This includes facilitating people's access to financial inclusion through its financial literacy project. The Foundation will launch the JN Financial Academy to help members achieve financial freedom and make better financial decisions. It is also heavily involved in youth engagement and educational programmes to train and empower young people to become social advocates and leaders. Through the JN Circle network community, which now stands at 18 chapters locally and overseas, members are offered an opportunity to become advocates for positive change in their communities. The Life Classes support mental wellness and building coping skills by providing sound advice to guide persons during difficult times.

Improving Efficiency

For JN Bank Jamaica, internal operational efficiencies remain a priority. Significant work was done on the automated credit risk assessment tool, which will be implemented across the Group to provide a more objective approach to lending. The project team has been testing various components internally, and the reviews have been positive. The tests indicate that the automated decision process is working as expected because responses to JN Bank Jamaica loan applications are received within minutes. The aim is to have a seamless loan process that will speedily assess applications and provide very timely responses regarding eligibility for credit. As indicated in the CEO's Report, regulatory endorsement was received, and expectations are high for this centre of excellence in risk adjudication to revolutionise credit assessment. Once fully implemented in the bank, it will become the blueprint for assessing credit across the Group.

The rollout of the enterprise customer relationship management software, Salesforce, continues in companies across the Group. It is being implemented as a mandatory tool for sales officers to ensure end-to-end tracking of customers' movement throughout the sales process. It offers a 360-degree insight into customer profiling and provides pertinent information to improve JN's ability to respond to their needs. JN Bank UK has embedded the software in its core banking platform. And the impact of Salesforce is evident at JN Life and JN Bank Jamaica. This increased effort is to ensure full deployment across the Group and its fulsome adoption and efficient use by sales officers. This is critical in embedding a sales-driven culture within the Group.

Considering the tremendous demand for IT and its importance in supporting the Group's strategic objectives, initiatives were introduced to centralise IT services and strengthen its functionality. Opportunities were identified for increased collaboration and leadership, and to engage in more shared services and resources in companies across the territories.

Delivering Service

The JN Group's commitment to deliver exceptional customer service is constantly reinforced to members and customers. The 22 companies that comprise the Group are divided into two groupings – financial companies and non-financial companies. Collectively, they offer services in banking, life and general insurance, wealth management, mutual funds and microfinancing, vehicle fleet management and logistics, information technology, debt collection and re-organisation, property management, and advertising and marketing.

The performance of the financial companies is outlined below.

Responding to increased competition in the provision of property financing, JN Bank Jamaica introduced a new mortgage pricing matrix with adjustable interest rates; increased the levels of financing for select groups of existing members; and realigned lending terms to make them more attractive to potential borrowers. This resulted in improved mortgage take-up for the 2022/2023 financial year.

The Bank is also working to improve its digital banking platform, including launching the JN Bank LIVE mobile app. Complaints were received about the inefficient operation of aspects of the platform, particularly JN Bank LIVE Business. The team is working assiduously to address these concerns and improve the overall customer experience. The Bank also proceeded with its plan to create a Small Business Loans Division to focus on serving this sector and to integrate the products and services previously offered by JN Small Business Loans Limited. It was also successfully onboarded by the Bank of Jamaica as the second deposit-taking institution to be authorised as a wallet provider to distribute the Jamaican digital currency JAM-DEX. On December 30, 2022, the Bank received $1 million worth of JAM-DEX currency from the BOJ. The Bank, working in tandem with MC Systems, is finalising its digital wallet application, M-Pay, which will set the stage for rollout to the public.

The performance of the JN Cayman building society continues to be impacted by section 19 of The Cayman Islands Building Societies Act (2014 Revision). The regulation limits JN Cayman's ability to lend more than CI$0.75 cents on each dollar in its savings portfolio. As a consequence, there was marginal movement in the savings portfolio which decreased from CI$29.3 million to CI$28.4 million. The conversion of the building society to a commercial bank would have helped to expand the service offerings; however, given the prolonged global economic challenges, this was put on hold to concentrate efforts on resourcing the Group's existing commercial entities.

In keeping with the Digitalisation strategic pillar of the Group, JN Fund Managers Limited launched its digital onboarding platform, Bloom, which allows its approximately 8,000 customers and prospective clients to have access to a full end-to-end process of opening an account. This will boost the company's attractiveness to

Financial and Operational **Report**
CONT'D

investors and strengthen its business. A protracted reduction in the short-term government securities (securities purchased under a resale agreement) and Mutual Funds portfolios negatively impacted the company's profitability. Concerns about the company led to a change of leadership and capital injection by its parent company to shore up its operations. A current concern is the company's investment in a regional business operation which has magnified the company's capital exposure, and its overall vulnerability resulting in closer oversight of its operations by the parent company.

The volatile economic environment in the UK impacted JN Bank UK; therefore, the projected growth envisioned within five years of the launch of the bank has not materialised. Poor credit risk decisions by the management, combined with customers' declaration of Individual Voluntary Arrangements (IVA) have resulted in increased levels of delinquency and the need for significant capital support to meet its regulatory requirements. Despite efforts to stymie the fallout, the loan portfolio continued to deteriorate which led to a suspension of unsecured lending for several months. Remedial action was taken to reduce operating expenses, strengthen the balance sheet, replace the leadership of the Board of Directors and the company, and change the bank's growth strategy. These remedies resulted in some improvement; however, based on regulatory stipulations, scheduled capital injection is required as part of the option to improve the bank's performance.

From a remittance perspective, JN Money Services Limited (JNMS), continues to maintain a steady presence in the Diaspora markets and facilitating the connection of members and customers with family and friends in Jamaica. Despite the anticipated decline in remittance flows, the company continued its push into new markets, establishing a presence in Hartford Connecticut, USA and expanding its agent operations in the Cayman Islands and Jamaica. The company has maintained its 17 per cent market share in Jamaica and has steadily increased its transaction volume and dollar value, accounting for the inflow of US$516.3 Million into Jamaica, during the last financial year.

JN Life Insurance Company Limited has strengthened its presence in the life insurance sector. The company has been building its client base, and over its 10 years of operation, has grown the non-JN component of its business by approximately 36 per cent. Customers can now access the company's website to request quotes for individual life non-medical policies. The team is extremely proud of its progress having exceeded its individual life sales target four times in 2022. Equally important is the fact that almost half of the JN Life sales team qualified for the Million Dollar Round Table (MDRT), which is the premier worldwide Association of Financial and Insurance Professionals, making them among the top 10 per cent of agents in the financial and insurance industry.

The performance of JN General Insurance Company Limited over the past two years, including consecutive years of net profit loss, is a matter of major concern. An assessment of the internal challenges indicated, among other things, longstanding underwriting deficiencies, inefficient claims practices, and capital funding challenges. A change of the company's senior leadership, internal reviews and an external assessment by an independent firm formed part of a raft of measures identified to help turn the company around. An aggressive recovery plan was being implemented; however, the company experienced a setback with the resignation of the new Managing Director to undertake ministerial responsibilities with the Jamaican government. During the course of the year, a new Managing Director was identified, and it is anticipated that the path towards recovery will continue in earnest.

With respect to the companies in the non-financial group, the Jamaica Automobile Association (JAA) continued to show profitability, as it refined its fleet management operations and road safety advocacy programmes. Efforts are focused on strengthening the business lines, including the acquisition of a driving simulator and the launch of its vehicle telematics service to drive increased revenue. As a road safety advocate, it has established local and international partnerships to promote the message of safe roads and enhance road safety practices. One such partnership is support of the Fédération Internationale de l'Automobile pilot project called the Affordable Safe Helmet Initiative to reduce motorcycle road deaths in Jamaica. This project is being implemented in collaboration with the National Road Safety Council and the JN Foundation.

Financial and Operational **Report**
CONT'D

The property management arm of the Group, JN Properties Limited, is principally responsible for the upgrading, refurbishing and rental of properties, as well as the delivery of property management services. Its real estate portfolio is valued at approximately $1.4 billion and provides management services for 116 properties. The company has strengthened its governance oversight with the appointment of a new board director and embarked on an initiative to promote its property management services to the Jamaican Diaspora. The company has been granted a Real Estate Dealers license and is awaiting a response to its application for membership of the Realtors Association of Jamaica.

Total Credit Services Limited provides debt management services and operates a contact/call centre for the JN Group. It plays a critical role in the Group's service delivery by handling more than 660,000 calls annually including those from persons overseas who use the remote concierge system. As reported earlier, the large number of complaints about challenges experienced in making appointments via the system have reduced significantly. The company has expanded its debt collection services to external clients by offering a robust collections system. This resulted in increased gross income of approximately $82.5 million for the year.

MC Systems Limited, a full-service information and communications technology company, designs innovative products and services to companies within the JN Group and to external organisations within the Financial, Telecommunications, and Government sectors. It is heavily involved in design and software development projects, such as the MCS Wallet/ JN Pay and JN Rewards, which are critical to reinforcing the Group's technology services prowess and improving service delivery to members and customers. The company is also responsible for managing the Group's banking system, Phoenix, and promoting its suite of banking services. Given the overall economic impact on businesses, the growth in the customer base did not happen as planned.

As part of the operational efficiencies, review of the operations of the creative agency, The Creative Unit Limited, was done and a decision taken to phase out the operations. This should be concluded in the next financial year.

Financial Performance

In 2022, the Group's consolidated liabilities increased by approximately $34.1 billion compared to the prior year, signifying an overall growth of 15 per cent. This resulted from increases of $21.6 billion and $13.2 billion in customer deposits and securities sold under repurchase agreements, respectively. The majority of the funds in the customer deposit portfolio came from member deposits, which increased by $20.4 billion during the year. Compared to prior years, the Group's long-term loans portfolio experienced a decline in 2022, falling by 19 per cent, from $15.2 billion to $12.3 billion.

The Group's consolidated assets ended the period at $302.6 billion, reflecting an increase of just over $32.1 billion due to increases in investments, securities purchased under resale agreements and the loan portfolio. A nine per cent increase in investments over the prior year was attributed to the purchase of corporate and sovereign bonds and Government of Jamaica securities. The $13.2 billion improvement in the loan portfolio was due to increases in term loans, with members' loans accounting for a 14 per cent movement in the portfolio value, up to $118.5 billion from $103.5 billion. The positive trend in the loan book was due, in part, to an increase of 2,715 loans in the size of the portfolio due to the realignment of lending terms and more attractive loan offers.

Operating expenses increased sharply by $3.5 billion, moving from $20.2 billion in 2021 to $23.6 billion in 2022, with the main contributors being a 11 per cent increase in employee cost due to union negotiations; 34 per cent increase in administrative fees, and 25 per cent increase in legal and other professional fees. Increased employee costs included increased mortgage subsidies to employees, settlements with separated staff, and realignment of salary costs to market rates.

The Group's overall performance during the year resulted in a net loss position of $338.3 million compared to a net profit of $6.6 billion in 2021 which included extraordinary gain of $6.1 billion. The downturn was due, in the main, to sub-optimal performance by some member companies.

For the following year ended March 2023, there was a marginal increase of $1.2 billion in the consolidated liabilities compared to 2022, signifying an overall growth of 0.5 per cent. The Group's financial position reflected a significant reduction in long-term loans by $5.2 billion and securities sold under repurchase agreements by

Financial and Operational **Report**
CONT'D

$4.4 billion. This contraction was due to the paying out of matured deposits and repurchase agreements to maintain the required regulatory ratios. Notwithstanding, customer deposits increased by $8.5 billion over the prior year. The reduction in the liability portfolio was due to the early repayment of bonds by the Group whilst acquiring external liabilities to support capital injection in select member companies.

Despite the emergence from the COVID-19 pandemic and a return to normalcy, the Group's consolidated assets decreased by 1.4 per cent, reflecting a reduction in the investment and securities purchased under resale agreements portfolios by $7.8 billion and $11.3 billion respectively. The funds realised from the decrease in the size of the investment and securities portfolios were channeled to business, development and mortgage loans. The result was an upward movement in the overall loan portfolio, which grew by 23,183 loans, moving from 83,792 loans to 106,975 loans. The value of these loans translated to a 10.4 per cent increase, moving from $130.2 billion to $143.8 billion.

Operating expenses increased by $3 billion in 2023 of which the primary drivers were $2.6 billion in legal and other professional fees, and employee costs that included the settlement of wage negotiations amounting to $300 million.

Due to less-than-optimal performance and falling asset, equity, and increase in expenses, the Group's overall performance has led to a net loss position of $4.0 billion in losses, moving from $338.3 million loss in 2022.

The engagements over the past two years are to fortify the JN Group and, by extension, the member companies have been intense based on a commitment to ensuring that the Group meets its mandate to help others find a way. The way forward is to undertake initiatives to further reduce operating expenses and employ more risk management analysis whilst looking for avenues to strengthen our operations and simplify the business models.

Assistant
General Managers

JOY BRADY, AAT
Chief Accounting, Taxation and
Reporting Officer, Group Finance

SHEREEN JONES, MSc (Hons)
BSc (1st class Hons)
Group Chief Information Officer

CARLTON EARL SAMUELS, CD, JP, FCA, FCCA, MBA
Chief Development Financing Officer

KEITH SENIOR
Office of the Chief Executive Officer

JN FINANCIAL GROUP

JN FINANCIAL GROUP

CURTIS MARTIN, MBA, BSc
Managing Director

JN Bank

LEESA KOW, MSc, BSc
Managing Director

JN Bank UK

PAUL NOBLE, MBA, BSc
Chief Executive Officer

JN Fund Managers Ltd.

BRANDO HAYDEN, MBA, BBA
Managing Director

JNGI JN GENERAL INSURANCE

THOMAS SMITH, JP, CPCU
Managing Director

JN Life Insurance COMPANY LIMITED

HUGH REID, FCA, FCCA, MSc, BSc
General Manager

JN Money

HORACE HINES, MBA, BSc
General Manager

JN CAYMAN

JERMAINE DEANS, MBA, BSc
Managing Director

MCS GROUP

RAKESH GOSWAMI, ACA, FCA, BA
Managing Director

MC SYSTEMS

DWAYNE RUSSELL, ACCA
General Manager

JN PROPERTIES

Lieutenant Colonel (Retired)
GARFIELD SEAN PRENDERGAST, JP, MSc, MA, rcds, psc
General Manager

TCS
TOTAL CREDIT SERVICES LTD.

LOWENFIELD ALLEYNE, BA
Managing Director

KEVIN NIGHTINGALE
General Manager

JAMAICA AA JAMAICA AUTOMOBILE ASSOCIATION

OWEN SMITH
General Manager

JN FOUNDAT!ON

CLAUDINE ALLEN, MSc, BA
Member Ombudsman
General Manager

Auditors' Report **& Financial Statements**

KPMG
Chartered Accountants
P.O. Box 436
6 Duke Street
Kingston
Jamaica, W.I.
+1 (876) 922 6640
firmmail@kpmg.com.jm

INDEPENDENT AUDITORS' REPORT

To the Members of
THE JAMAICA NATIONAL GROUP LIMITED
(A company limited by guarantee with share capital)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Jamaica National Group Limited ("the Company") comprising the separate financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries ("the Group"), set out on pages 36 to 184 which comprise the Group's and Company's statements of financial position as at March 31, 2023, the Group's and Company's statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Company as at March 31, 2023, and of the Group's and Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards Board (IFRS 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 Company 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
THE JAMAICA NATIONAL GROUP LIMITED
(A company limited by guarantee with share capital)

Report on the Audit of the Financial Statements (continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report for the year ended March 31, 2023, but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
THE JAMAICA NATIONAL GROUP LIMITED
(A company limited by guarantee with share capital)

Report on the Audit of the Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 Company to cease to continue as a going concern.

KPMG

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
THE JAMAICA NATIONAL GROUP LIMITED
(A company limited by guarantee with share capital)

Report on the Audit of the Financial Statements (continued)

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

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

- 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Report on additional matters as required by the Jamaican Companies Act

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

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

KPMG

Chartered Accountants
Kingston, Jamaica

November 14, 2023

THE JAMAICA NATIONAL GROUP LIMITED
(A company limited by guarantee with share capital)

Consolidated Statement of Financial Position
March 31, 2023

	Notes	2023 $'000	2022 $'000
ASSETS			
Cash resources	6, 37(c)	30,930,967	33,349,683
Securities purchased under resale agreements	7	3,362,873	14,707,855
Investments	8	92,035,688	99,808,678
Taxation recoverable		1,671,367	1,458,528
Interest in associates	11	670,521	634,400
Loans	12, 37(c)	143,763,378	130,244,283
Other assets	13	9,937,301	7,334,241
Assets held for sale	14	33,467	84,232
Investment property	15	1,338,240	1,161,552
Property, plant and equipment	16	6,071,526	6,295,249
Goodwill and other intangible assets	17	3,113,636	3,219,027
Deferred tax assets	18	4,276,329	3,289,247
Right-of-use assets	26(i)(a)	1,058,720	1,054,408
Total assets		298,264,013	302,641,383
LIABILITIES			
Bank overdraft	6(d)	39,564	404
Due to specialised financial institutions		2,441,461	4,278,683
Customer deposits	19, 37(c)	201,817,130	193,283,773
Due to related entities	9(b)	157,242	154,540
Securities sold under repurchase agreements	20	30,383,059	34,733,613
Other payables	21, 37(c)	9,361,501	8,386,285
Margin loan payable	22	2,086,716	-
Taxation payable		634,023	349,131
Deferred tax liabilities	18	38,192	84,743
Employee benefits obligation	23(a)	797,845	1,413,169
Insurance contract provisions	24	7,501,156	6,148,997
Long-term loans	25, 37(c)	7,099,860	12,349,726
Lease liabilities	26(i)(a)	1,239,190	1,200,050
Total liabilities		263,596,939	262,383,114
EQUITY			
Reserve fund	27	7,656,668	7,600,000
Contractual savings reserve	28	14,223	14,223
Other reserves	29	4,825,642	6,870,643
Retained earnings		22,107,504	25,692,727
Total equity attributable to equity holders of the Company		34,604,037	40,177,593
Non-controlling interest	31	63,037	80,676
Total equity		34,667,074	40,258,269
Total liabilities and equity		298,264,013	302,641,383

The financial statements on pages 36 to 184 were approved for issue by the Board of Directors on November 14, 2023, and signed on its behalf by:

Elizabeth Ann Jones Director
Elizabeth Jones, CD

Director
Dhiru Tanna, PhD

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

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

THE JAMAICA NATIONAL GROUP LIMITED
(A company limited by guarantee with share capital)

Company Statement of Financial Position
March 31, 2023

	Notes	2023 $'000	2022 $'000
ASSETS			
Cash resources	6, 37(c)	162,159	281,290
Due from related entities	9(a)	408,039	131,596
Taxation recoverable		2,154	1,975
Interest in subsidiaries	10	11,294,030	5,264,030
Loans	12, 37(c)	133,395	8,651,783
Other assets	13	264,387	196,864
Property, plant and equipment	16	208,206	292,306
Goodwill and other intangible assets	17	172,886	48,859
Right-of-use assets	26(i)(a)	127,999	169,693
Deferred tax asset	18	63,300	544,207
Total assets		12,836,555	15,582,603
LIABILITIES			
Due to related entities	9(b)	332,640	154,540
Other payables	21, 37(c)	674,083	386,320
Taxation payable		350,024	-
Long-term loans	25, 37(c)	604,216	8,283,533
Lease liabilities	26(i)(a)	143,321	180,481
Total liabilities		2,104,284	9,004,874
EQUITY			
Other reserves	29	149,041	153,869
Retained earnings		10,583,230	6,423,860
Total equity		10,732,271	6,577,729
Total liabilities and equity		12,836,555	15,582,603

The financial statements on pages 36 to 184 were approved for issue by the Board of Directors on November 14, 2023, and signed on its behalf by:

Elizabeth Ann Jones Director
Elizabeth Jones, CD

Dhiru Tanna Director
Dhiru Tanna, PhD

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

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

THE JAMAICA NATIONAL GROUP LIMITED
(A company limited by guarantee with share capital)

Statements of Profit or Loss
Year ended March 31, 2023

	Notes	Group 2023 $'000	Group 2022 $'000	Company 2023 $'000	Company 2022 $'000
Interest income revenue calculated using the effective interest method:					
Interest on loans		12,315,202	11,481,479	93,765	727,144
Interest on investments		4,385,251	3,484,780	-	1,243
		16,700,453	14,966,259	93,765	728,387
Interest expense	32	(4,150,935)	(3,242,521)	(142,153)	(654,525)
Net interest income		12,549,518	11,723,738	(48,388)	73,862
Impairment losses on financial instruments	39(b)(ii)(B)(6)	(2,652,922)	(692,590)	-	-
Unrealised (loss)/gain on fair value through profit or loss (FVTPL) investment securities		(60,638)	301,643	-	-
Gain on disposal of investments		70,592	804,271	-	-
Other operating income	33	13,649,484	11,790,071	10,036,370	3,734,209
Operating expenses	34	(26,749,655)	(23,669,495)	(4,974,466)	(3,694,550)
Operating (loss)/profit		(3,193,621)	257,638	5,013,516	113,521
Share of profit of associates	11	36,121	15,597	-	-
Unrealised foreign exchange gain/(loss)		146,511	(128,370)	(23,059)	4,455
(Loss)/profit before taxation		(3,010,989)	144,865	4,990,457	117,976
Taxation	35	(983,514)	(483,131)	(831,087)	(19,634)
(Loss)/profit for the year		(3,994,503)	(338,266)	4,159,370	98,342
Attributable to:					
Equity holders of the Company		(3,982,050)	(342,866)	4,159,370	98,342
Non-controlling interest		(12,453)	4,600	-	-
		(3,994,503)	(338,266)	4,159,370	98,342

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

THE JAMAICA NATIONAL GROUP LIMITED
(A company limited by guarantee with share capital)

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

	Notes	Group 2023 $'000	Group 2022 $'000	Company 2023 $'000	Company 2022 $'000
(Loss)/profit for the year		(3,994,503)	(338,266)	4,159,370	98,342
Other comprehensive income:					
Items that are or may be reclassified to profit or loss:					
Translation of foreign subsidiaries' balances		(320,043)	99,188	-	-
Decrease in fair value through other comprehensive income (FVOCI) investment securities, net of impairment losses		(2,691,574)	(1,798,075)	-	-
Realised gains/(loss) on investments recognised in the statement of profit or loss		71,268	(713,826)	-	-
Deferred tax on FVOCI investment securities and Expected Credit Loss (ECL)	18	806,334	742,951	-	-
		(2,134,015)	(1,669,762)	-	-
Items that will never be reclassified to profit or loss:					
Remeasurement of employee benefits obligation	23(d)	813,251	65,668	-	-
Deferred tax on employee benefits obligation	18	(271,083)	(21,889)	-	-
		542,168	43,779	-	-
Total other comprehensive loss for the year		(1,591,847)	(1,625,983)	-	-
Total comprehensive (loss)/income for the year		(5,586,350)	(1,964,249)	4,159,370	98,342
Attributable to:					
Equity holders of the Company		(5,572,855)	(1,970,468)	4,159,370	98,342
Non-controlling interest		(13,495)	6,219	-	-
		(5,586,350)	(1,964,249)	4,159,370	98,342

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

THE JAMAICA NATIONAL GROUP LIMITED
(A company limited by guarantee with share capital)

Group Statement of Changes in Equity
Year ended March 31, 2023

	Reserve fund $'000 (note 27)	Contractual savings reserve $'000 (note 28)	Other reserves $'000 (note 29)	Retained earnings $'000	Total $'000	Non - controlling interest $'000 (note 31)	Total equity $'000
Balances at March 31, 2021	7,600,000	14,223	6,778,057	27,774,577	42,166,857	74,481	42,241,338
Total comprehensive income/(loss) for the year:							
Loss for the year	-	-	-	(342,866)	(342,866)	4,600	(338,266)
Other comprehensive income							
Translation of foreign subsidiaries' balances	-	-	97,426	-	97,426	1,762	99,188
Decrease in fair value of Fair Value Through Other Comprehensive Income (FVOCI) investments, net of deferred tax	-	-	(1,054,939)	-	(1,054,939)	(185)	(1,055,124)
Realised loss on investments recognised in the statement of profit or loss	-	-	(713,826)	-	(713,826)	-	(713,826)
Remeasurement of employee benefits obligation, net of deferred tax	-	-	-	43,737	43,737	42	43,779
Total other comprehensive loss	-	-	(1,671,339)	43,737	(1,627,602)	1,619	(1,625,983)
Total comprehensive loss	-	-	(1,671,339)	(299,129)	(1,970,468)	6,219	(1,964,249)
Transactions with owners							
Dividends paid [note 31(b)]	-	-	-	-	-	(24)	(24)
Claims on dormant accounts by customers [note 29(d)]	-	-	(18,796)	-	(18,796)	-	(18,796)
	-	-	(1,690,135)	(299,129)	(1,989,264)	6,195	(1,983,069)
Movement between reserves							
Transfer from credit loss reserve	-	-	(51,279)	51,279	-	-	-
Transfer from returned earnings reserve	-	-	1,834,000	(1,834,000)	-	-	-
Balances at March 31, 2022	7,600,000	14,223	6,870,643	25,692,727	40,177,593	80,676	40,258,269
Total comprehensive income/(loss) for the year:							
Loss for the year	-	-	-	(3,982,050)	(3,982,050)	(12,453)	(3,994,503)
Other comprehensive income							
Translation of foreign subsidiaries' balances	-	-	(319,287)	-	(319,287)	(756)	(320,043)
Decrease in fair value of Fair Value Through Other Comprehensive Income (FVOCI) investments, net of deferred tax	-	-	(1,884,702)	-	(1,884,702)	(538)	(1,885,240)
Realised gains on investments recognised in the statement of profit or loss	-	-	71,268	-	71,268	-	71,268
Remeasurement of employee benefits obligation, net of deferred tax	-	-	-	541,916	541,916	252	542,168
Total other comprehensive loss	-	-	(2,132,721)	541,916	(1,590,805)	(1,042)	(1,591,847)
Total comprehensive loss	-	-	(2,132,721)	(3,440,134)	(5,572,855)	(13,495)	(5,586,350)
Transactions with owners							
Dividend paid [note 31(b)]	-	-	-	-	-	(17)	(17)
Change in non-controlling interest	-	-	-	4,127	4,127	(4,127)	-
Claims on dormant accounts by customers [note 29(d)])	-	-	(4,828)	-	(4,828)	-	(4,828)
	-	-	(2,137,549)	(3,436,007)	(5,573,556)	(17,639)	(5,591,195)
Movement between reserves:							
Transfer from credit loss reserve	56,668	-	-	(56,668)	-	-	-
Transfer from retained earnings reserve	-	-	92,548	(92,548)	-	-	-
Balances at March 31, 2023	7,656,668	14,223	4,825,642	22,107,504	34,604,037	63,037	34,667,074

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

THE JAMAICA NATIONAL GROUP LIMITED
(A company limited by guarantee with share capital)

Company Statement of Changes in Equity
Year ended March 31, 2023

	Other reserves $'000 (note 29)	Retained earnings $'000	Total $'000
Balances at March 31, 2021	172,665	6,325,518	6,498,183
Total comprehensive income for the year			
Profit for the year, being total comprehensive income	-	98,342	98,342
Transactions with owners recorded directly in equity			
Claims on dormant accounts by customers [note 29(d)]	(18,796)	-	(18,796)
Balances at March 31, 2022	153,869	6,423,860	6,577,729
Total comprehensive income for the year			
Profit for the year, being total comprehensive income	-	4,159,370	4,159,370
Transactions with owners recorded directly in equity			
Claims on dormant accounts by customers [note 29(d)]	(4,828)	-	(4,828)
Balances at March 31, 2023	149,041	10,583,230	10,732,271

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

THE JAMAICA NATIONAL GROUP LIMITED
(A company limited by guarantee with share capital)

Group Statement of Cash Flows
Year ended March 31, 2023

	Notes	2023 $'000	2022 $'000
Cash flows from operating activities			
Loss for the year		(3,994,503)	(338,266)
Adjustments to reconcile loss to net cash (used in)/provided by operating activities:			
Depreciation - property, plant and equipment	16	683,313	713,787
Amortisation of intangible assets	17	393,634	492,474
Depreciation on right-of-use assets	26(i)(b)	338,941	358,708
Write-off of intangible assets	17	3,007	19,605
Gains on disposal of property, plant and equipment		(607,318)	(56,489)
Write-off of property, plant and equipment		(105)	-
Losses on disposal of intangible assets		-	16,385
Increase in fair value of investment		(186,599)	(199,635)
Gains on disposal of investments		(70,592)	(804,271)
Gains on disposal of assets held for sale		(6,101)	(14,868)
(Gains)/losses from foreign exchange rate changes		(670,569)	105,269
Unrealised loss/(gain) on fair value through profit or loss on investment securities		60,638	(301,643)
Translation differences		46,537	(61,890)
Dividend income	33	(267,022)	(22,620)
Share of profits of associates	11	(36,121)	(15,597)
Interest income		(16,700,453)	(14,966,259)
Interest expense	32	4,090,681	3,183,464
Interest expenses on lease liabilities	26(i)(b), 32	60,254	59,057
Current tax expense	35(a)(i)	1,483,192	1,030,184
Deferred taxation	18, 35(a)(ii)	(499,678)	(547,053)
Benefits paid	23(b)	(19,814)	(13,040)
Current service cost	23(b)	81,712	65,325
Interest cost	23(b)	136,030	112,564
Insurance contract provisions		1,352,159	1,246,224
Impairment losses on financial instruments	39(b)(ii)(B)(6)	2,652,922	692,590
		(11,675,855)	(9,245,995)
Changes in operating assets and liabilities:			
Cash reserves with Bank of Jamaica	6	450,683	(1,426,713)
Net additions to loans		(16,503,235)	(13,892,524)
Other assets		(2,639,965)	(1,971,845)
Net receipts from customer deposits		11,096,798	18,517,405
Due to related entities		2,702	(2,703)
Other payables		995,078	1,149,892
Margin loan payable		2,086,716	(2,346,923)
		(16,187,078)	(9,219,406)
Interest paid		(4,360,198)	(2,904,644)
Interest received		12,295,062	11,581,125
Income tax paid		(1,411,139)	(1,958,941)
Net cash used in operating activities (page 43)		(9,663,353)	(2,501,866)

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

THE JAMAICA NATIONAL GROUP LIMITED
(A company limited by guarantee with share capital)

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

	Notes	2023 $'000	2022 $'000
Net cash used in operating activities (page 42)		(9,663,353)	(2,501,866)
Cash flows from investing activities			
Purchase of investments		(9,395,885)	(82,539,642)
Interest received		4,277,885	3,288,955
Dividend received		267,022	22,620
Assets held for sale		19,158	-
Securities purchased under resale agreements		11,269,714	(9,911,372)
Acquisition of intangible assets	17	(329,714)	(500,107)
Acquisition and transfer of property, plant and equipment	16	(589,409)	(441,176)
Proceeds from sale of assets held for sale		37,708	42,618
Proceeds from disposal of property, plant and equipment		721,982	107,145
Proceeds from disposal of intangible assets		18,394	-
Proceeds from disposal of investments		13,441,959	75,135,933
Net cash provided by/(used in) investing activities		19,738,814	(14,795,026)
Cash flows from financing activities			
Repayment of long-term loans		(6,263,407)	(7,810,135)
Proceeds from long-term loans		1,013,540	4,962,120
Proceeds from specialised financial institutions		(1,453,551)	2,798,279
Repayments to specialised financial institutions		(383,671)	(383,671)
Securities sold under repurchase agreements		(4,126,930)	13,063,832
Dividend paid to non-controlling interest		(17)	(24)
Claims on dormant accounts		(4,828)	(18,796)
Payment of lease liabilities	26(i)(c)	(364,367)	(352,264)
Net cash (used in)/provided by financing activities		(11,583,231)	12,259,341
Net decrease in cash and cash equivalents		(1,507,770)	(5,037,551)
Cash and cash equivalents at the beginning of the year		18,172,539	22,611,768
Effects of exchange rate changes on cash and cash equivalents		(492,660)	598,322
Cash and cash equivalents at the end of the year		16,172,109	18,172,539
Comprised of:			
Cash and cash equivalents	6	16,211,673	18,172,943
Bank overdraft		(39,564)	(404)
		16,172,109	18,172,539

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

THE JAMAICA NATIONAL GROUP LIMITED
(A company limited by guarantee with share capital)

Company Statement of Cash Flows
Year ended March 31, 2023

	Notes	2023 $'000	2022 $'000
Cash flows from operating activities			
Profit for the year		4,159,370	98,342
Adjustments to reconcile profit to net cash provided by/(used in) operating activities:			
Depreciation – property, plant and equipment	16	93,809	102,930
Amortisation of intangible assets	17	43,723	24,382
Depreciation on right-of-use assets	26(i)(a)	41,694	34,933
Gains on disposal of property, plant and equipment		(2,187)	(5,751)
Write-off of property, plant and equipment		(105)	-
Interest income		(93,765)	(728,387)
Dividend income	33	(761,000)	(150,000)
Interest expense	32	130,068	642,363
Interest expense on lease liability	26(i)(b),32	12,085	12,162
Current tax expense	35(a)(i)	350,180	-
Deferred taxation	18, 35(a)(ii)	480,907	19,635
		4,454,779	50,609
Changes in operating assets and liabilities:			
Due from related entities		(276,443)	53,243
Taxation recoverable		(179)	(95)
Loans		8,524,818	491,415
Other assets		(67,523)	(10,870)
Due to related entities		178,100	(2,702)
Other payables		287,763	169,325
		13,101,315	750,925
Interest paid		(130,068)	(642,363)
Interest received		87,335	725,464
Net cash provided by operating activities		13,058,582	834,026
Cash flows from investing activities			
Interest in subsidiaries		(6,030,000)	-
Dividend received from subsidiaries		761,000	150,000
Acquisition of intangible assets	17	(167,750)	(61,513)
Acquisition of property, plant and equipment	16	(14,773)	(40,202)
Proceeds from disposal of property, plant and equipment		7,200	9,750
Net cash (used in)/provided by investing activities		(5,444,323)	58,035
Cash flow from financing activities			
Proceeds from long-term loans		600,000	4,600,000
Repayment of long-term loans		(8,279,317)	(5,415,168)
Repayment of lease liabilities	26(i)(c)	(49,245)	(40,866)
Claims on dormant accounts		(4,828)	(18,796)
Net cash used in financing activities		(7,733,390)	(874,830)
Net (decrease)/increase in cash and cash equivalents		(119,131)	17,231
Cash and cash equivalents at the beginning of the year		281,290	264,059
Cash and cash equivalents at the end of the year	6	162,159	281,290

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

THE JAMAICA NATIONAL GROUP LIMITED
(A company limited by guarantee with share capital)

Notes to the Financial Statements
March 31, 2023

1. The Company

The Jamaica National Group Limited ("the Company") was incorporated on December 16, 2016, under the Jamaican Companies Act, as a public company limited by guarantee and having share capital. The number of shares which the Company is 14nrealized to issue is unlimited and is comprised of two classes, namely, membership shares and preference or deferred shares.

The registered office of the Company is located at 2-4 Constant Spring Road, Kingston 10. Its principal activity is that of an investment holding company.

The Company is the ultimate holding company with two direct subsidiaries, MCS Group Limited (MCSG) and JN Financial Group Limited (JNFG). Both entities are incorporated in Jamaica under the Jamaican Companies Act.

"Group" refers collectively to the Company and its subsidiaries. The Group also has an interest in associates and a joint venture.

Subsidiaries	Country of incorporation	Percentage Ownership		Nature of business
		2023	**2022**	
JN Financial Group Limited and its subsidiaries	Jamaica	100	100	Financial holding company.
JN Bank Limited	Jamaica	100	100	Banking services.
JN Bank UK Limited	United Kingdom	100	100	Banking services.
JN Cayman	Cayman Islands	95.89	95.89	Mortgage lending on residential properties and other financial services.
JN Fund Managers Limited (JNFM)	Jamaica	100	100	Provision of investment services, pension management and administrative services, credit facilities, investment banking and stock brokerage services.
JN Money Services Limited and its subsidiaries:	Jamaica	100	100	Money transfer services, including remittances, bill payments, mobile credit top up and sale of foreign currencies.
JN Money Services (UK) Limited	England	100	100	Money transfer services, including remittances, bill payments and mobile credit top up.
JN Money Services (USA) Inc.	United States of America	100	100	Money transfer services, including remittances, bill payments and mobile credit top up.
JN Money Services (Canada) Limited	Canada	100	100	Money transfer services, including remittances, bill payments and mobile credit top up.
JN Money Services (Cayman) Ltd[1].	Cayman Islands	100	80	Money transfer services, including remittances, bill payments and mobile credit top up.

1. The Company (continued)

Subsidiaries (continued)	Country of incorporation	Percentage Ownership		Nature of business
		2023	**2022**	
JN Financial Group Limited (continued)				
JN Life Insurance Company Limited (JNLIC)	Jamaica	100	100	Life insurance services.
JN General Insurance Company Limited (JNGI)	Jamaica	99.64	99.50	General insurance services.
JN Small Business Loans Limited (JNSBL)	Jamaica	100	100	Granting of loans to small and micro business for periods not exceeding 260 weeks.
MCS Group Limited	Jamaica	100	100	Holding company.
Management Control Systems Limited	Jamaica	97.31	97.31	Sale of technology products, software and implementation services.
The Jamaica Automobile Association (Services) Limited	Jamaica	100	100	Automobile road safety, fleet management and allied services.
JN Properties Limited	Jamaica	100	100	Property management, maintenance, refurbishing and rental services.
Total Credit Services Limited	Jamaica	100	100	Debt recovery services.
The Creative Unit Limited	Jamaica	100	100	Creative advertisement, event management and printing services.
Building Societies Development Limited (BSDL)[2]	Jamaica	70	70	Housing development services.
Associates and Joint Ventures				
Jamaica Joint Venture Investment Company Limited	Jamaica	50	50	Owners of commercial buildings.
Knutsford Holdings Limited	Jamaica	40	40	Owners of commercial buildings.
Transaction ePins Limited	Jamaica	19.50	19.50	Distribution of electronic prepaid airtime.

1 JN Bank Limited holds the remaining 20% shareholding in JN Money Services (Cayman) Limited, making it a wholly-owned subsidiary of JN Financial Group Limited.
2 The operations of JNSBL were integrated into JN Bank Limited as part of a wider JN Group strategy effective July 1, 2022.
3 The results of BSDL are not considered material to these financial statements and have not been consolidated.

1. The Company (continued)

Other related entities:

Jamaica National Building Society (JNBS) Foundation ("The Foundation") was incorporated under the laws of Jamaica on July 11, 1990 as a company limited by guarantee and not having a share capital, with the liability of each of the 10 members limited to $1. It is a charitable organisation which aims to assist, through grants or otherwise, with the development of affordable housing throughout Jamaica and, in particular, rural Jamaica, as well as to develop and promote, for the benefit of the public, study and research into housing and the management of savings. It is funded principally by contributions from the Group. In 2018, $181,676,342 [note 9(b)] representing unclaimed funds were transferred to the Foundation consequent on the restructuring of the JN Group. As part of the arrangement, 50% of the unclaimed funds was distributed to the Foundation. Unclaimed funds are accounts with dormancy exceeding 15 years. The funds are to be utilised to assist with educational programmes. The Foundation is an approved charitable organisation for purposes of Section 13(i)(q) of the Income Tax Act, and is exempt from income tax under Section 12(h) of that Act.

2. Licence and regulation

JN Bank Limited is licensed, and its financial statements are delivered, under the Banking Services Act, 2014 and the Banking Services Regulations 2015, which became effective on September 30, 2015. JN Bank UK Limited is an authorised institution under the Financial Services and Markets Act 2000 of the United Kingdom and is required to submit its financial statements to its regulators annually.

JN Money Services Limited (JNMS) is licensed under section 22G(2) of the Bank of Jamaica Act. JN Fund Managers Limited is designated as a primary dealer by the Bank of Jamaica and is licensed and authorised by the Financial Services Commission. JN General Insurance Company Limited and JN Life Insurance Company Limited are licensed by the Financial Services Commission and registered under the Insurance Act 2001. JN Cayman is licensed by Cayman Islands Monetary Authority.

3. Statement of compliance and basis of preparation

(a) Statement of compliance:

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

Details of the Group's significant accounting polices are included in note 45.

New and amended standards that became effective during the year:

Certain new and amended standards came into effect during the current financial year. The company has assessed them and has adopted those which are relevant to its financial statements; none of them resulted in any change to the amounts recognised or disclosed in the financial statements.

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

(b) Basis of preparation:

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

- Financial instruments classified as at fair value through profit or loss and 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; and
- Investment property is measured at fair value.

(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 Company. The financial statements of other entities included in the consolidated financial statements that have different functional currencies are translated into Jamaica dollars in the manner set out in note 45(q). Amounts are rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates, assumptions and judgements:

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

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

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 liability at the reporting date being materially adjusted in the year ended March 31, 2024, are follows:

(i) Post-retirement benefits:

The amounts recognised in the statements of financial position and statements of profit or loss and 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 Group'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:

Measurement of the expected credit loss (ECL) allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and 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 detailed in note 39, which also sets out key sensitivities of the ECL to changes in these elements.

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

- 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.

4. Accounting estimates and judgements (continued)

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

(ii) Allowance for impairment losses (continued):

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

Detailed information about the judgements and estimates made by the Group in the above areas is set out in note 39(b)

(iii) Outstanding claims:

Outstanding claims comprise estimates of the amount of reported losses and loss expenses plus a provision for losses incurred but not reported based on historical experience. The loss and loss expense reserves have been determined by the indirect subsidiary companies' actuaries using their past loss experience and industry data. Amounts recoverable in respect of claims from reinsurers are estimated in a manner consistent with the underlying liabilities.

Management believes, based on the analysis completed by the actuaries, that the provision for outstanding losses and loss expenses will be adequate to cover the ultimate net cost of losses incurred up to the reporting date. However, the provision is an estimate and may, ultimately, be settled for a significantly greater or lesser amount. Any subsequent differences arising are recorded in the period in which they are determined.

Note 41 gives information about the assumptions and uncertainties relating to insurance liabilities and discloses the risk factors in these contracts Goodwill:

Goodwill is tested annually for impairment. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

(iv) Residual value and expected useful lives of property, plant and equipment and investment property:

The residual value and the expected useful life of an asset are reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change is accounted for. The useful life of an asset is defined in terms of the asset's expected utility to the Group.

(v) Net realisable value of inventories:

Estimates of net realisable value are based on the most reliable evidence available at the time the estimates of the amount the inventories are expected to realise are made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.

4. Accounting estimates and judgements (continued)

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

(v) Net realisable value of inventories (continued):

Estimates of net realisable value also take into consideration the purpose for which the inventory is held.

(vi) Impairment of indirect subsidiary:

Impairment reviews may occur if there are any triggering events or changes in circumstances which may indicate that the carrying amount of the investment in subsidiary is not recoverable. The assessment of recoverable amount requires management to make assumptions to determine estimate of expected future cash flows and appropriate discount rate in order to calculate present value. Impairment losses are calculated on a cash generating unit (CGU) basis. An impairment arises when the recoverable amount of the CGU is less than the carrying amount of the CGU.

(vii) Measurement of fair values:

The Group's accounting policy on fair value measurements is set out in accounting policy note 45(b).

When measuring the fair value of an asset or liability, the Group uses market-observable data as far as possible. Fair values are categorized 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 instrument

4. Accounting estimates and judgements (continued)

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

(vii) Measurement of fair values (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 Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period in which the change has occurred.

(b) Critical accounting judgements (other than these involving estimation) that management has made in applying accounting policies and that have the most significant effect on amounts recognised in these financial statements:

(i) Classification of financial assets:

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

In classifying financial assets, management makes judgements about whether the criteria are met. For example, the determination of whether a security may be classified as amortised cost or whether a security's fair value may be classified as 'Level 1' in the fair value hierarchy requires judgement as to whether a market is active.

(ii) Impairment of indirect subsidiary:

The valuation of a company is not an exact science and ultimately depends on what the company is worth to a serious investor or buyer. Profit and cash flow forecasts necessarily depend on subjective judgement, the company's underlying business continuing as a going concern and involves determining the company's relevant earnings and then capitalizing those relevant earnings at a rate which reflects the expected risks of achieving those earnings.

5. Responsibilities of the appointed actuaries and external auditors

Xavier Benarosch of Eckler Partners Limited, Constance Dalmadge Hall of Eckler Limited and Niala Saith-Deschamps of PricewaterhouseCoopers LLP, have been appointed actuaries by the Board of Directors pursuant to the Insurance Act 2001 or the requirement of IAS 19 where applicable. With respect to the preparation of financial statements, the actuary is required to carry out an actuarial valuation of management's estimate of the indirect insurance subsidiaries' policy liabilities and one of the indirect banking subsidiaries' group health and group life liabilities and report thereon to the shareholders and members. Actuarially determined policy liabilities consist of the provisions for, less reinsurance recovery of, unpaid claims and adjustment expenses on insurance policies in force, including provisions for salvage and subrogation. The valuations are 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 his/her work and opinion. An actuarial valuation is prepared annually.

The external auditors have been appointed by the shareholders pursuant to the Jamaican Companies Act to conduct an independent and objective audit of the financial statements of the indirect subsidiaries in accordance with International Standards on Auditing, and report thereon to the shareholders. In carrying out their audit, the auditors also make use of the work of the actuaries and his/her report on the indirect subsidiaries' actuarially determined policy liabilities, and post-employment and other obligations. The auditors' report outlines the scope of their audit and their opinion.

6. Cash resources

	Group		Company	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Cash and cash equivalents for statements of cashflow [see (a)]	16,211,673	18,172,943	162,159	281,290
Restricted cash [see (b)]	93,457	100,220	-	-
	16,305,130	18,273,163	162,159	281,290
Cash reserves with Bank of Jamaica [see (b)]	14,625,837	15,076,520	-	-
	30,930,967	33,349,683	162,159	281,290

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

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

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

6. Cash resources (continued)

(c) The foreign indirect banking subsidiary had an amount of $93.46 million (2022: $100.22 million) held as a restricted deposit for minimum collateral deposit by a financial institution.

(d) Unsecured and secured overdraft facilities amounting to $145 million (2022: $145 million) and $Nil million (2022: $8 million), respectively, are held by indirect subsidiaries with a commercial bank. At the reporting date, the amount drawn under the secured overdraft facility was $39.56 million (2022: $0.04million) for the Group and $Nil (2022: $Nil) for the Company.

7. Securities purchased under resale agreements

	Group	
	2023	2022
	$'000	$'000
Principal	3,305,852	14,575,566
Interest receivable	57,021	132,289
	3,362,873	14,707,855

At March 31, 2023, securities obtained and held under resale agreements for the Group had a fair value of $6,271.86 million (2022: $18,370.47 million). The balance is shown net of expected credit losses of $0.51 million (2022: $0.47 million) [see note 39(b)(ii)].

The movement in expected credit losses on securities purchased under resale agreements is as follows:

	Group	
	2023	2022
	$'000	$'000
At beginning of year	468	17
Increase in allowance	46	451
Balance at end of year	514	468

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

	Group	
	2023	2022
	$'000	$'000
Within 3 months	2,171,860	7,727,699
3 months to 1 year	1,133,992	6,847,867
	3,305,852	14,575,566

8. Investments

	Group	
	2023	2022
	$'000	$'000
Amortised cost		
Treasury bills	7,858,114	1,737,973
Corporate bonds	1,170,675	2,495,670
Certificates of deposit	3,095,920	9,139,458
	12,124,709	13,373,101
Fair value through other comprehensive income		
Corporate and sovereign bonds	13,030,479	16,972,813
Government of Jamaica securities	58,364,708	58,737,996
Treasury bills	6,378,962	7,696,213
Promissory note	49,829	50,204
Quoted equities	275,222	275,721
Unquoted equities [see (i) below]	19,608	19,608
	78,118,808	83,752,555
Fair value through profit or loss		
Quoted equities	447,198	1,458,488
Mutual funds	268,610	333,032
	715,808	1,791,520
Sub-total	90,959,325	98,917,176
Interest receivable	1,105,280	922,646
	92,064,605	99,839,822
Less expected credit losses on amortised cost investments [see note 39(b)(vi)]	(28,917)	(31,144)
	92,035,688	99,808,678

Movement in expected credit loss on investments measured at amortised cost and FVOCI are as follows:

	Group	
	2023	2022
	$'000	$'000
At beginning of year	295,541	391,743
Decrease in allowance [note 39(b)(ii)B(6)]:		
Securities at amortised cost	(10,426)	(19,463)
Securities at FVOCI	33,789	(76,739)
Balance at end of year	318,904	295,541

(i) Unquoted equities comprise 5,020,000 (2022: 5,020,000) units of shares held by JN Bank Limited in Automated Payments Limited, an automated clearing house operator.

8. **Investments (continued)**

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

	Group	
	2023	2022
	$'000	$'000
No specific maturity	1,010,638	2,086,849
Within 3 months	15,192,322	19,300,900
3 months to 1 year	17,191,878	10,308,845
1 year to 5 years	12,270,422	20,042,594
5 years and over	45,294,065	47,177,988
	90,959,325	98,917,176

(iii) Investments of the general and life insurance subsidiaries, totalling $162.69 million (2022: $145.85 million), are held to the order of the Financial Services Commission (FSC) as required by the Insurance Act 2001.

(iv) The Group's USA-based indirect subsidiary, a money transmitter, is licensed in the States of New York, Maryland, Connecticut, New Jersey, Georgia, Florida, California and Massachusetts and in The District of Columbia. The regulations require a total minimum net worth of US$3.35 million (2022: US$3.44million). In addition, the regulations require surety bonds in favour of, and/or pledged funds to, the Superintendent of Banking of US$5.53 million (2022: US$4.44 million).

(v) An amount of US$0.03 million (2022: US$0.03 million) is held with Ghana Merchant Bank, in respect of the provision of remittance services, by an indirect subsidiary and accordingly restricted.

(vi) At March 31, 2023, investments that are pledged by the Group as collateral for securities sold under repurchase agreements had a carrying value of $35.30 billion (2022: $41.86 billion) (note 20).

(vii) An indirect banking subsidiary pledged certificates of deposit amounting to $3.03 million (2022: $3.02 million) with a commercial bank to cover a third-party guarantee.

(viii) An indirect banking subsidiary pledged investments amounting to $768.49 million (2022: $743.21 million) to facilitate settlement of Multilink transactions.

9. **Due from/to related entities**

(a) This represents amounts due from subsidiaries and other related entities in the ordinary course of business. The amounts are unsecured, interest free and due within three (3) months.

9. Due from/to related entities (continued)

(b) This represents net amounts due to the JN Foundation by the Group, which are unsecured, interest free and payable within three (3) months.

10. Interest in subsidiaries

	Company	
	2023	2022
	$'000	$'000
At beginning of year	5,264,030	5,264,030
Increase in interest in subsidiaries	6,030,000	-
Balance at end of year	11,294,030	5,264,030

During the year, the financial subsidiary recognised an impairment in its investments in subsidiaries of $3.60 billion (2022: $Nil).

11. Interest in associates

	Group	
	2023	2022
	$'000	$'000
Shares, net (see note 1)	52,499	52,499
Group's share of reserves	604,369	568,248
Debentures	13,653	13,653
	670,521	634,400

The following table summarises the financial information of the associates, which are equity-accounted for, as included in their own financial statements, after fair value adjustments on acquisition and elimination of differences in accounting policies and intercompany transactions. The latest unaudited financial information for Jamaica Joint Venture Investment Company Limited is as at and for the year ended March 31, 2023 (2022: March 31, 2022) and that of Knutsford Holdings Limited is as at and for the year ended December 31, 2022 (2022: December 31, 2021). The table also reconciles the summarised financial information to the carrying amount of the Group's interest in these associates.

11. Interest in associates (continued)

	Jamaica Joint Venture Investment Company Limited		Knutsford Holdings Limited		Total	
	2023	2022	2023	2022	2023	20'2
	$'000	$'000	$'000	$'000	$'000	$'000
Percentage ownership interest	**50%**	**50%**	**40%**	**40%**		
Non-current assets	225,272	224,527	972,933	906,028	1,198,205	1,130,555
Current assets	372,257	392,254	174,183	119,557	546,440	511,811
Non-current liabilities	(1,164)	(1,164)	(64,166)	(61,056)	(65,330)	(62,220)
Current liabilities	(20,086)	(15,949)	(50,407)	(51,516)	(70,493)	(67,465)
Net assets (100%)	576,279	599,668	1,032,543	913,013	1,608,822	1,512,681
Group's share of net assets, being carrying amount of equity-accounted investees	191,352	203,043	413,017	365,205	604,369	568,248
Revenue	7,473	37,975	155,464	156,371	162,937	194,346
Interest expense	(30,841)	(104,604)	(16,084)	(16,084)	(46,925)	(120,688)
Income tax charge	(21)	(350)	(19,843)	(17,569)	(19,864)	(17,919)
Profit and total comprehensive (loss)/income (100%)	(23,389)	(66,979)	119,537	122,718	96,148	55,739
Group's share of profit or loss and total comprehensive (loss)/income	(11,694)	(33,490)	47,815	49,087	36,121	15,597
Dividend received by the Group	226,125	-	-	-	226,125	-

Interest in associates includes a 19.5% holding in Transactions ePins Limited, which is not accounted for using the equity method as the Group is not considered to have significant influence. Shares are shown net of provision for impairment of $93.60 million (2022: $93.60 million) representing the full carrying value of the Group's holding in Transaction ePins Limited. The impairment provision is made as there was no return on the investment to date and projected negative cash flows.

12. Loans

(a) Loans, less allowances for losses, are as follows:

	Group		Company	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Mortgage loans – principal [see 12(a)(i)]	92,734,647	87,331,764	-	-
Term loans	11,670,890	12,509,331	-	-
Due from JN Bank Limited [see 12(a)(ii)]	-	-	-	8,524,085
Other loans [see 12(a)(iii)]	38,641,864	29,707,351	108,292	109,025
	143,047,401	129,548,446	108,292	8,633,110
Accrued interest	715,977	695,837	25,103	18,673
	143,763,378	130,244,283	133,395	8,651,783

12. Loans continued)

(a) Loans, less allowances for losses, are as follows (continued):

The Group'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 to call may not be issued until after the expiration of six months from the issue date.

(i) Included in mortgage loans for the Group are balances due from directors and companies controlled by directors amounting to $Nil million (2022: $Nil million) and interest due on these loans of $Nil (2022: $Nil).

(ii) Due from JN Bank Limited represents the balance on the mortgage receivable portfolio purchased in 2019. The portfolio is secured by Deed of assignment and is recoverable over the period of 10 years ending in 2030. It is shown net of a discount of $Nil million (2022: $5,646 million). The loan was repaid during the year.

(iii) Other loans in the Company represent the balance on secured and unsecured loan facilities with indirect subsidiaries. Interest is receivable at 7.5% and 4% per annum, with the loans maturing in 2027 and 2029, respectively.

(b) Loans, less allowance for losses and excluding accrued interest, are due, from the reporting date, as follows:

	Group		Company	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Within 3 months	5,838,745	8,991,147	5,420	177,312
3 months to 1 year	1,619,625	4,185,192	7,787	534,973
1 year to 5 years	36,234,915	28,980,708	41,209	5,588,953
5 years and over	99,354,116	87,391,399	53,876	2,331,872
	143,047,401	129,548,446	108,292	8,633,110

(c) The Group's loan portfolio, including accrued interest and less allowance for losses, is concentrated as follows:

	Number of accounts		Value	
	2023	2022	2023	2022
			$'000	$'000
Professional and other services	2,414	508	2,167,133	3,253,219
Individuals	104,186	83,041	124,729,364	118,482,983
Corporations	375	243	16,866,881	8,508,081
	106,975	83,792	143,763,378	130,244,283

12. Loans (continued)

(d) The Company's loan portfolio, including accrued interest and less allowance for losses, is concentrated as follows:

	Number of accounts		Value	
	2023	2022	2023	2022
			$'000	$'000
Corporations	2	4	133,395	8,651,783

Loans and advances on which interest is no longer accrued amounted to $12,489.12 million (2022: $12,475.44 million) for the Group and $Nil (2022: $Nil) for the Company. This represents 8.29% (2022: 9.33%) of the gross loan portfolio of the Group. These loans are included in the financial statements, net of allowance for losses.

(e) Impairment losses on loans are as follows:

	Group	
	2023	2022
	$'000	$'000
At beginning of year	3,256,169	2,702,660
Increase in allowance made during the year [note 39(b)(ii) B. (6)]	2,667,459	841,552
Translation adjustment	(39,326)	15,114
Written back during the year [note 39(b)(ii) B. (6)]	(101,610)	(303,157)
At end of year [note 39(b)(ii) B. (6)]	5,782,692	3,256,169

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

	Group	
	2023	2022
	$'000	$'000
Specific provision	4,687,924	2,667,149
General provision	1,704,736	1,111,172
	6,392,660	3,778,321

The total provision is broken down as follows:

	Group	
	2023	2022
	$'000	$'000
Provision as per IFRS [note 39(b)(ii) B. (6)]	5,782,692	3,256,169
Additional provision based on Bank of Jamaica provisioning requirements [note 29(c)]	609,968	522,152
	6,392,660	3,778,321

13. Other assets

	Group		Company	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Other receivables	4,946,707	4,291,987	132,863	65,475
Reinsurance assets [note 24(a)]	2,406,543	1,687,258	-	-
Cost on IT projects in progress	2,279,503	1,027,198	-	-
Deposits on property, plant and equipment	131,524	131,389	131,524	131,389
Inventories	173,024	196,409	-	-
	9,937,301	7,334,241	264,387	196,864

(i) The balances are reflected net of expected credit loss allowance as follows:

	Group	
	2023	2022
	$'000	$'000
At beginning of the year	150,120	202,880
Decrease in allowance	(37,900)	(52,760)
	112,220	150,120

(ii) An indirect banking subsidiary pledged other assets amounting to $47.35 million (2022: $48.25 million) for bid collateral**.**

14. Assets held for sale

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

Note: Movement on impairment losses is as follows:

	Group	
	2023	2022
	$'000	$'000
At beginning of year	466,488	466,488
Write-off, being net movement for the year	(9,579)	-
At end of year	456,909	466,488

14. Assets held for sale (continued)

JN Bank Limited acquired real properties through foreclosure on collateral held as security 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 45(i)].

15. Investment property

(a) Reconciliation of carrying amount

	Group $'000
Balance at March 31, 2021	961,917
Change in fair value	199,635
Balance at March 31, 2022	1,161,552
Change in fair value	186,599
Transaction adjustment	(9,911)
Balance at March 31, 2023	1,338,240

(b) Investment property comprises a number of commercial properties that are leased to third parties. Each of the leases contains an initial non-cancellable period of 5 years. Subsequent renewals are negotiated with the lessee and historically the average renewal period is four years. Further information about these leases is included in note 26(d).

Changes in fair values are recognised in profit or loss and included in 'other operating income' or 'operating expenses'. All gains or loss is realised.

(c) Amounts recognised in profit or loss

The property rental income earned by the Group from some of its investment property which are leased under operating leases amounted to $47.71 million (2022: $44.56 million). Direct operating expenses, arising from the investment property that generated rental income during the year amounted to $19.15 million (2022: $25.70 million).

(d) Measurement of fair values

Fair value hierarchy

The fair value of investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group's investment property portfolio every three years and estimate the changes in fair value in the intervening periods.

15. Investment property (continued)

(d) Measurement of fair values (continued)

Fair value hierarchy (continued)

The fair value measurement for all of the investment properties has been categorised as a Level 2 and 3 fair value based on the inputs to the valuation technique used.

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

THE JAMAICA NATIONAL GROUP LIMITED
(A company limited by guarantee with share capital)

Notes to the Financial Statements (Continued)
March 31, 2023

16. Property, plant and equipment

	Group					
	Freehold land and buildings $'000	Leasehold land and buildings $'000	Computers and office equipment $'000	Motor vehicles $'000	Work-in-progress $'000	Total $'000
Cost:						
March 31, 2021	4,346,647	973,862	6,082,294	1,127,868	885,535	13,416,206
Additions	10,378	30,409	287,409	43,089	82,180	453,465
Write-off	-	-	(1,190)	(864)	(8,228)	(10,282)
Transfers out*	-	-	(51,270)	-	-	(51,270)
Disposals	(36,721)	-	(10,558)	(116,224)	-	(163,503)
Translation adjustments	31,458	15,239	22,269	2,086	37	71,089
March 31, 2022	4,351,762	1,019,510	6,328,954	1,055,955	959,524	13,715,705
Additions	405,115	149,957	696,677	52,677	(715,017)	589,409
Disposals	(97,401)	(59,023)	(145,728)	(132,195)	-	(434,347)
Transfers from work-in-progress	-	14,169	22,131	-	(36,300)	-
Translation adjustments	(10,318)	(12,731)	(23,315)	(1,215)	-	(47,579)
March 31, 2023	4,649,158	1,111,882	6,878,719	975,222	208,207	13,823,188
Depreciation:						
March 31, 2021	1,034,159	735,462	4,306,349	750,503	-	6,826,473
Charge for the year	117,869	71,513	383,953	140,452	-	713,787
Translation adjustments	8,668	13,308	18,655	1,675	-	42,306
Write-off	-	-	-	(522)	-	(522)
Transfer out*	-	-	(48,741)	-	-	(48,741)
Eliminated on disposals	(9,595)	-	(5,170)	(98,082)	-	(112,847)
March 31, 2022	1,151,101	820,283	4,655,046	794,026	-	7,420,456
Charge for the year	110,652	58,748	402,114	111,799	-	683,313
Write -off	-	-	(105)	-	-	(105)
Translation adjustments	(3,257)	(12,166)	(16,429)	(467)	-	(32,319)
Eliminated on disposals	(32,650)	(52,770)	(126,575)	(107,688)	-	(319,683)
March 31, 2023	1,225,846	814,095	4,914,051	797,670	-	7,751,662
Net book values:						
March 31, 2023	3,423,312	297,787	1,964,668	177,552	208,207	6,071,526
March 31, 2022	3,200,661	199,227	1,673,908	261,929	959,524	6,295,249

Include in freehold land and building is the cost of land at $127,904,000 (2022: $127,904,000).

* Transferred to goodwill and other intangibles (note 17).

16. Property, plant and equipment (continued)

	Company		
	Computers and office equipment $'000	Motor Vehicles $'000	Total $'000
Cost:			
March 31, 2021	371,555	201,135	572,690
Additions	26,452	13,750	40,202
Disposals	-	(14,995)	(14,995)
March 31, 2022	398,007	199,890	597,897
Additions	14,773	-	14,773
Disposal	-	(29,209)	(29,209)
March 31, 2023	412,780	170,681	583,461
Depreciation:			
March 31, 2021	109,467	104,190	213,657
Charge for the year	61,599	41,331	102,930
Disposals	-	(10,996)	(10,996)
March 31, 2022	171,066	134,525	305,591
Charge for the year	62,290	31,519	93,809
Eliminated on disposals	-	(24,040)	(24,040)
Write-off	(105)	-	(105)
March 31, 2023	233,251	142,004	375,255
Net book values:			
March 31, 2023	179,529	28,677	208,206
March 31, 2022	226,941	65,365	292,306

17. Goodwill and other intangible assets

	Group							
	Customer relationships $'000	Trademarks $'000	Goodwill $'000	Licence $'000	Software $'000	Non-compete agreement $'000	Work-in-progress $'000	Total $'000
Cost:								
March 31, 2021	409,546	141,137	1,070,189	304,722	3,299,375	35,790	105,048	5,365,807
Additions	13,380	-	-	671	470,786	-	12,741	497,578
Disposals	-	-	-	-	(17,544)	-	-	(17,544)
Transfers in*	-	-	-	-	51,270	-	-	51,270
Write-offs	-	-	-	-	(445)	-	(19,412)	(19,857)
Translation adjustments	-	6,476	17,948	603	6,305	1,920	-	33,252
March 31, 2022	422,926	147,613	1,088,137	305,996	3,809,747	37,710	98,377	5,910,506
Additions	287	-	-	-	160,514	-	168,913	329,714
Disposals	-	-	-	-	(100,386)	-	-	(100,386)
Write-offs	-	-	-	-	-	-	(3,007)	(3,007)
Translation adjustments	-	(1,091)	-	(5,673)	(26,731)	-	-	(33,495)
March 31, 2023	423,213	146,522	1,088,137	300,323	3,843,144	37,710	264,283	6,103,332
Amortisation and impairment losses:								
March 31, 2021	88,733	5,197	-	19,279	2,001,562	35,790	-	2,150,561
Charge for the year	27,707	562	-	22,472	441,733	-	-	492,474
Transfer in*	-	-	-	-	48,741	-	-	48,741
Write-offs	-	-	-	-	(252)	-	-	(252)
Elimination on disposals	-	-	-	-	(1,159)	-	-	(1,159)
Translation adjustments	-	195	-	(317)	(684)	1,920	-	1,114
March 31, 2022	116,440	5,954	-	41,434	2,489,941	37,710	-	2,691,479
Charge for the year	24,657	14,206	-	10,979	343,792	-	-	393,634
Elimination on disposals	-	-	-	-	(81,992)	-	-	(81,992)
Translation adjustments	-	(252)	-	(1,098)	(12,075)	-	-	(13,425)
March 31, 2023	141,097	19,908	-	51,315	2,739,666	37,710	-	2,989,696
Net book values:								
March 31, 2023	282,116	126,614	1,088,137	249,008	1,103,478	-	264,283	3,113,636
March 31, 2022	306,486	141,659	1,088,137	264,562	1,319,806	-	98,377	3,219,027

* Transferred from property, plant and equipment (note 16).

17. Goodwill and other intangible assets (continued)

	Company Software $'000
Cost:	
March 31, 2021	15,928
Additions	61,513
March 31, 2022	77,441
Additions	167,750
March 31, 2023	245,191
Depreciation:	
March 31, 2021	4,200
Charge for the year	24,382
March 31, 2022	28,582
Charge for the year	43,723
March 31, 2023	72,305
Net book value:	
March 31, 2023	172,886
March 31, 2022	48,859

(a) Goodwill

Goodwill is attributable to the acquisition of Manufacturers Credit and Information Services Limited (MCIS) and QuikCash.

(b) Impairment assessment

In testing intangible assets for impairment, recoverable amounts of cash-generating units (CGUs) were estimated based on value in use. Where the recoverable amounts exceed the carrying amounts, no impairment allowance is made. The recoverable amounts of the CGUs for MCIS and QuikCash, were arrived at by estimating their future cash flows and discounting those cash flows using long-term discount rates applicable to Jamaica and Cayman Islands, as relevant. The fair value measurement was categorised as Level 3 fair value based on inputs used in the valuation. Future sustainable cash flows were estimated based on the most recent forecasts, based on past experience and management's plans.

These projections included specific estimates for five (5) years for Quick cash and four (4) years for MCIS and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual EBITDA growth rate, consistent with the assumption that a market participant would make.

17. Goodwill and other intangible assets (continued)

(b) Impairment assessment (continued)

The key assumptions used in the discounted cash flow projections were as follows:

	Group			
	2023		2022	
	QuikCash	MCIS	QuikCash	MCIS
	%	%	%	%
Discount rates – Cayman Islands and Jamaica, respectively	15	23	14	21
Growth rates	4	5	3	5
Jamaican dollar devaluation rate	-	5	-	5

The estimated recoverable amount of QuikCash exceeded its carrying amount by approximately CI$0.68 million as at March 31, 2023 (2022: CI$0.49 million). Management has identified that a reasonably possible change of the amount shown in the following key assumptions could cause the estimated recoverable amount of goodwill to be reduced to its carrying amount:

	Group	
	2023	2022
	%	%
Discount rate	16.98	15.98
Growth rate	(4.57)	(4.57)

(c) Acquisition of software business

The Group acquired the Phoenix International System Software Source Code licence in object code form for its international core processing requirements in the normal course of business on May 27, 2021, to service customers in specific jurisdictions, including the Caribbean, Latin America, South Africa and specific areas in the United States of America. In addition to the rights to use the software, the customers who operate in these territories were also transferred to Management Control Systems Limited. The cost of the purchase was $662.45 million.

18. Deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Group					
	Assets		Liabilities		Net	
	2023	2022	2023	2022	2023	2022
	$'000	$'000	$'000	$'000	$'000	$'000
Other assets	57,134	73,796	(11,231)	3,993	45,903	77,789
Interest receivable	(117,726)	(88,350)	-	-	(117,726)	(88,350)
Property, plant and equipment	487,117	316,413	(4,270)	(21,754)	482,847	294,659
Employee benefits obligation	268,954	471,057	-	-	268,954	471,057
Other payables	203,383	165,350	6,434	7,794	209,817	173,144
FVOCI investment securities	1,992,099	1,010,385	-	-	1,992,099	1,010,385
Contractual savings reserve	(4,741)	(4,741)	-	-	(4,741)	(4,741)
Tax losses carried forward	407,522	681,605	-	-	407,522	681,605
Impairment losses on other assets	19,738	24,130	-	-	19,738	24,130
Impairment losses on investment securities at FVOCI	(52,278)	3,593	-	-	(52,278)	3,593
Intangible assets	17,150	46,527	(29,033)	(74,036)	(11,883)	(27,509)
Right-of-use assets	(134,533)	(152,814)	-	-	(134,533)	(152,814)
Lease liabilities	153,130	172,529	453	1,731	153,583	174,260
Unrealised foreign exchange gains	717,910	(8,622)	(545)	(2,471)	717,365	(11,093)
Impairment losses on loans	261,470	578,389	-	-	261,470	578,389
Net deferred tax assets/(liabilities)	4,276,329	3,289,247	(38,192)	(84,743)	4,238,137	3,204,504

	Company	
	2023	2022
	$'000	$'000
Interest receivable	(6,276)	(4,922)
Property, plant and equipment	30,972	1,611
Other payables	31,875	24,874
Right-of-use assets	(32,000)	(42,423)
Lease liabilities	35,830	45,120
Unrealised foreign exchange loss	2,899	719
Tax losses carried forward	-	519,228
Net deferred tax assets	63,300	544,207

18. Deferred tax assets/(liabilities) (continued)

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

	Group 2023				
	Balances at April 1, 2022 $'000	Recognised in profit $'000 [Note 35(a)(ii)]	Recognised in other comprehensive income $'000	Currency translation $'000	Balances at March 31, 2023 $'000
Other assets	77,789	(29,995)	-	(1,891)	45,903
Interest receivable	(88,350)	(29,376)	-	-	(117,726)
Property, plant and equipment	294,659	187,593	-	595	482,847
Employee benefits obligation	471,057	68,980	(271,083)	-	268,954
Other payables	173,144	36,673	-	-	209,817
FVOCI Investment Securities	1,010,385	123,028	858,686	-	1,992,099
Contractual savings reserve	(4,741)	-	-	-	(4,741)
Tax losses carried forward	681,605	(274,083)	-	-	407,522
Impairment losses on other assets	24,130	(4,392)	-	-	19,738
Impairment losses on investment securities at FVOCI	3,593	(3,519)	(52,352)	-	(52,278)
Intangible assets	(27,509)	15,626	-	-	(11,883)
Right-of-use assets	(152,814)	18,281	-	-	(134,533)
Lease liabilities	174,260	(20,677)	-	-	153,583
Unrealised foreign exchange gains	(11,093)	728,458	-	-	717,365
Impairment losses on loans	578,389	(316,919)	-	-	261,470
Net deferred tax assets	3,204,504	499,678	535,251	(1,296)	4,238,137

	Group 2022					
	Balances at April 1, 2021 $'000	Recognised in profit $'000 [Note 35(a)(ii)]	Recognised in other comprehensive income $'000	Currency translation $'000	Recognised in business acquisition	Balances at March 31, 2022 $'000
Other assets	87,468	(9,889)	-	210	-	77,789
Interest receivable	(64,929)	(23,421)	-	-	-	(88,350)
Property, plant and equipment	289,230	4,670	-	759	-	294,659
Employee benefits obligation	445,096	47,850	(21,889)	-	-	471,057
Other payables	138,387	34,757	-	-	-	173,144
FVOCI investment securities	240,539	(29,268)	799,114	-	-	1,010,385
Contractual savings reserve	(4,267)	(474)	-	-	-	(4,741)
Tax losses carried forward	681,626	(21)	-	-	-	681,605
Impairment losses on other assets	21,133	2,997	-	-	-	24,130
Impairment losses on investment securities at FVOCI	4,499	55,257	(56,163)	-	-	3,593
Intangible assets	(31,843)	4,334	-	-	-	(27,509)
Right-of-use assets	(138,269)	(14,545)	-	-	-	(152,814)
Lease liabilities	155,315	18,945	-	-	-	174,260
Unrealised foreign exchange gains	(46,886)	35,793	-	-	-	(11,093)
Impairment losses on loans	158,321	420,068	-	-	-	578,389
Net deferred tax assets	1,935,420	547,053	721,062	969	-	3,204,504

18. Deferred tax assets/(liabilities) (continued)

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

	Company		
	2023		
	Balances at April 1, 2022 $'000	Recognised in profit $'000 [Note 35(a)(ii)]	Balances at March 31, 2023 $'000
Interest receivable	(4,922)	(1,354)	(6,276)
Property, plant and equipment	1,611	29,361	30,972
Other payables	24,874	7,001	31,875
Right-of-use assets	(42,423)	10,423	(32,000)
Lease liabilities	45,120	(9,290)	35,830
Unrealised foreign exchange gain	719	2,180	2,899
Tax losses carried forward	519,228	(519,228)	-
Net deferred tax assets	544,207	(480,907)	63,300

	2022		
	Balances at April 1, 2021 $'000	Recognised in profit $'000 [Note 35(a)(ii)]	Balances at March 31, 2022 $'000
Interest receivable	(3,513)	(1,409)	(4,922)
Property, plant and equipment	(20,540)	22,151	1,611
Other payables	10,512	14,362	24,874
Right-of-use assets	-	(42,423)	(42,423)
Lease liabilities	1,963	43,157	45,120
Unrealised foreign exchange (loss)/gain	(1,216)	1,935	719
Tax losses carried forward	576,636	(57,408)	519,228
Net deferred tax assets	563,842	(19,635)	544,207

19. Customer deposits

	Group	
	2023 $'000	2022 $'000
Deposits	201,429,924	192,850,674
Accrued interest	387,206	433,099
	201,817,130	193,283,773

19. Customer deposits (continued)

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

	Group 2023 $'000	Group 2022 $'000
Within 3 months	165,341,465	146,169,317
From 3 months to 1 year	23,746,658	34,031,795
Over 1 year	12,729,007	13,082,661
	201,817,130	193,283,773

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

	Number of accounts 2023	Number of accounts 2022	Value 2023 $'000	Value 2022 $'000
Public authorities	663	950	3,245,267	2,820,820
Financial institutions	311	166	7,405,976	4,846,424
Commercial and business	9,796	7,463	14,853,565	14,368,430
Individuals	1,094,498	972,818	176,312,322	171,248,099
	1,105,268	981,397	201,817,130	193,283,773

20. Securities sold under repurchase agreements

	Group 2023 $'000	Group 2022 $'000
Principal	30,283,011	34,409,941
Interest payable	100,048	323,672
	30,383,059	34,733,613

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

	Group 2023 $'000	Group 2022 $'000
Within 3 months	21,225,953	12,426,634
From 3 months to 1 year	9,057,058	21,983,307
	30,283,011	34,409,941

At March 31, 2023, securities obtained under resale agreements and certain investments have been pledged by the Group as collateral for repurchase agreements. These financial instruments have a carrying value of $35,287.18 million (2022: $41,844.08 million).

21. Other payables

	Group		Company	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Deferred income	849,627	685,609	58,525	-
Staff-related accruals	437,825	720,061	-	-
Insurance payable	2,178,822	1,432,222	-	-
Customers' and other deposits (i)	1,203,441	594,884	-	-
Trade payables	2,151,290	2,136,304	123,896	65,987
Accruals	954,698	712,857	371,918	224,944
Other payables	1,585,798	2,104,348	119,744	95,389
	9,361,501	8,386,285	674,083	386,320

(i) Customers' and other deposits include $28.53 million (2022: $28.86 million) received from National Housing Trust (NHT) for members' contribution refund.

22. Margin loan payable

Margin loan payable represents a short-term debt facility provided by a brokerage firm to a banking subsidiary to acquire securities on its own account. The facility bears interest at 6% (2022: Nil %) per annum. During the year, the banking subsidiary pledged global bonds amounting to US$15 million (2022: $Nil) for the facility.

23. Employee benefits obligation

The Group provides for several post-retirement pension benefits through a defined-contribution scheme which replaced a prior defined-benefit pension scheme for employees within the Group. 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 Group and employees in accordance with the rules of the scheme.

Under the defined-contribution scheme, retirement benefits are based on the Group's and employees' accumulated contributions, plus interest and, therefore, the Group has no further obligation 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 obligation of the guarantee of the pension payments from the scheme.

The following indirect subsidiaries participate in defined-contribution pension schemes in their respective jurisdictions:

Indirect subsidiary	Pension scheme
(i) JN Cayman	Cayman National Pension Plan
(ii) JN Money Services (USA) Inc.	401K retirement plan managed by Legg Mason Management Global Asset

23. Employee benefits obligation (continued)

The following indirect subsidiaries participate in defined-contribution pension schemes in their respective jurisdictions (continued):

	Indirect subsidiary	Pension scheme
(iii)	JN Money Services (Canada) Limited	Registered retirement services plan managed by Manulife Financial Corporation
(iv)	JN Money Services (Cayman) Limited	Cayman Islands Chamber of Commerce
(v)	JN Money Services (UK) Limited	Legal & General Assurance Society Limited Pension Plan
(vi)	JN Bank UK Limited	Scottish Widows Group Personal Pension Plan

The total contributions made for the year are included in employee costs (note 36).

The Group provides group life and post-retirement health insurance benefits to retirees who have met certain minimum service requirements.

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:

	Group	
	2023	2022
	$'000	$'000
Present value of unfunded obligations	795,530	1,409,055
Supplementary benefit [note 23(i)]	2,315	4,114
	797,845	1,413,169

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

	Group	
	2023	2022
	$'000	$'000
At beginning of year	1,413,169	1,313,988
Benefits paid	(19,814)	(13,040)
Service costs	81,712	65,325
Interest cost	136,030	112,564
Actuarial (gain)/loss arising from:		
Experience adjustments	(140,688)	(37,945)
Demographic assumption	96,540	(31,351)
Financial assumptions	(769,104)	3,628
Balance at end of year	797,845	1,413,169

23. Employee benefits obligation (continued)

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

	Group	
	2023	2022
	$'000	$'000
Current service costs	81,712	65,325
Curtailment	16,797	-
Interest cost on obligation	119,233	112,564
	217,742	177,889

(d) Items recognised in other comprehensive income:

	Group	
	2023	2022
	$'000	$'000
Remeasurement gain on obligation	(813,251)	(65,668)

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

	Group	
	2023	2022
	%	%
Discount rate at March 31	13.0	8.0
Health cost inflation rate	6.5	6.0
Interest on contributions	13.0	8.0

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

The calculation of the projected benefit obligation is sensitive to the assumptions used. The table below summarises 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.

	Group			
	2023		2022	
	1 % Increase	1 % Decrease	1 % Increase	1 % Decrease
	$'000	$'000	$'000	$'000
Discount rate	(93,628)	118,282	(227,876)	292,986
Health inflation rate	123,900	(98,448)	295,958	(232,805)
Interest on contributions	17,389	(14,395)	26,745	(21,667)

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

23. Employee benefits obligation (continued)

(h) As mortality continues to improve, estimates of life expectancy are expected to increase. An increase of one year in life expectancy is expected to impact the employee benefit obligation as follows:

- Post-retirement health insurance plan: increase of $18.36 million (2022: $19.50 million).
- Group life plan: decrease of $10.07 million (2022: $10.17 million).

(i) Supplementary pension benefit:

This represents the defined benefit obligation in respect of supplementary pension provided by an indirect subsidiary for 2 (2022: 3) pensioners.

24. Insurance contract provisions

(a) Group:

	2023			2022		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	$'000	$'000	$'000	$'000	$'000	$'000
Claims outstanding	4,356,979	(254,521)	4,102,458	3,297,775	(219,202)	3,078,573
Unearned premiums	3,144,177	(2,152,022)	992,155	2,851,222	(1,468,056)	1,383,166
Total (see related asset at note 13)	7,501,156	(2,406,543)	5,094,613	6,148,997	(1,687,258)	4,461,739

(b) Analysis of movements in insurance contract provisions:

Claims outstanding:

	Group					
	2023			2022		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	$'000	$'000	$'000	$'000	$'000	$'000
Claims notified	1,462,534	(98,538)	1,363,996	1,151,156	(108,308)	1,042,848
Claims incurred but not reported	1,835,241	(120,664)	1,714,577	1,369,320	(41,760)	1,327,560
Balances at beginning of year	3,297,775	(219,202)	3,078,573	2,520,476	(150,068)	2,370,408
Claims incurred	2,827,527	(146,876)	2,680,651	2,560,121	(206,979)	2,353,142
Claims paid in year	(1,768,323)	111,556	(1,656,767)	(1,782,822)	137,845	(1,644,977)
Change in outstanding claims provision	1,059,204	(35,320)	1,023,884	777,299	(69,134)	708,165
Balances at end of year	4,356,979	(254,522)	4,102,457	3,297,775	(219,202)	(3,078,573)
Claims notified	2,546,473	(149,294)	2,397,179	1,462,534	(98,538)	1,363,996
Claims incurred but not reported	1,810,506	(105,228)	1,705,278	1,835,241	(120,664)	1,714,577
Balances at end of year	4,356,979	(254,522)	4,102,457	3,297,775	(219,202)	3,078,573

Outstanding claims include gross claims payable of $43.42 million (2022: $58.91 million) under policies issued to related parties.

24. Insurance contract provisions (continued)

(c) Unearned premiums:

	Group					
	2023			2022		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
Balances at beginning of year	2,851,221	(1,468,056)	1,383,165	2,382,297	(1,150,309)	1,231,988
Premiums written during the year	6,267,947	(4,181,481)	2,086,466	5,704,998	(3,197,931)	2,507,067
Premiums earned during the year	(5,974,991)	3,497,515	(2,477,476)	(5,236,073)	2,880,184	(2,355,889)
Balances at end of year	3,144,177	(2,152,022)	992,155	2,851,222	(1,468,056)	1,383,166

(d) Gross unearned premiums are analysed as follows:

	Group	
	2023 $'000	2022 $'000
Liability	186,925	174,396
Motor	1,276,155	1,154,289
Pecuniary loss	3,995	4,619
Personal accident	7,502	7,661
Marine	8,423	6,349
Property	1,580,789	1,423,926
Engineering	80,388	79,982
	3,144,177	2,851,222

25. Long-term loans

	Group		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
JN Bank Ltd (i)	-	-	604,216	-
Unsecured bond [see (ii)]	6,430,860	2,597,193	-	-
Notes payable [see (iii)]	-	800,000	-	-
Subordinated debt (iv)	669,000	669,000	-	-
Secured bonds (v)	-	8,283,533	-	8,283,533
	7,099,860	12,349,726	604,216	8,283,533

(i) This represents loans secured by debenture notes that bear interest at a rate of 9.5% per annum.

(ii) This represents an unsecured bond which bears interest at 7.75% per annum, with principal repayable upon maturity on September 30, 2024. Interest is repayable quarterly. The loan is disclosed net of deferred transaction cost, which is amortised over the life of the loan, $29.25 million of which was paid to a subsidiary at the outset.

During the year, an additional facility of $4 billion was acquired which bears interest at 10.30% per annum, with principal repayable in equal amounts semi-annually on interest payment dates, after an eighteen-month moratorium, until maturity on August 16, 2025. Interest is repayable semi-annually. The loan is disclosed net of deferred transaction cost, which is amortised over the life of the loan, $10 million of which was paid to a subsidiary at the outset.

Compliance with a financial loan covenant was assessed after the year-end based on the financial results as at March 31, 2023, for an unsecured bond issued by a subsidiary. The covenant was not achieved and the subsidiary has notified the trustees of the planned action being taken, to include the execution of strategic initiatives to improve profitability as well as the receipt of planned dividends from its subsidiaries within the cure period.

25. Long-term loans (continued)

(iii) This represented secured debt obligations issued by a subsidiary which matured on March 13, 2023. The notes bore interest at a rate of 6.25% per annum, were secured by a basket of securities, and typically had fixed quarterly coupon payments and bullet payments of principal at maturity.

(iv) This represents subordinated debt obligations maturing on September 30, 2026. The debt obligations were issued on March 31, 2021 at an interest rate of 7.75% per annum for 5.5 years. The obligations are secured by a basket of securities, and have fixed quarterly coupon payments and bullet payments of principal at maturity. This qualifies as Tier 2 capital in keeping with the requirements of the FSC for the investment management subsidiary.

(v) This represented secured bonds which bore interest at 7.25% per annum. Repayment of principal and payment of interest were done quarterly. Early settlement was done in June 2022.

26. Leases

(i) The Group leases properties. These leases typically run for periods of five and three years, respectively, with an option to renew the lease after the relevant dates. Lease payments are renegotiated at the time of lease renewal to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices.

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

Information about leases for which the Group is the lessee is presented below:

(a) Right-of-use assets	Group	Company		
	Land and buildings	Buildings	Motor Vehicle	Total
	$'000	$'000	$'000	$'000
Cost:				
March 31, 2021	1,324,088	7,024	120,859	127,883
Additions	526,384	76,177	19,345	95,522
Translation adjustment	37,837	-	-	-
March 31, 2022	1,888,309	83,201	140,204	223,405
Additions	386,537	-	-	-
Translation adjustments	(43,284)	-	-	-
March 31, 2023	2,231,562	83,201	140,204	223,405
Depreciation:				
March 31, 2021	475,193	3,011	15,768	18,779
Charge for the year	358,708	9,794	25,139	34,933
March 31, 2022	833,901	12,805	40,907	53,712
Charge for the year	338,941	13,653	28,041	41,694
March 31, 2023	1,172,842	26,458	68,948	95,406
Net book values:				
March 31, 2023	1,058,720	56,743	71,256	127,999
March 31, 2022	1,054,408	70,396	99,297	169,693

26. Leases (continued)

(i) (Continued)

Information about leases for which the Group and Company are lessees is presented below (continued):

(a) Lease liabilities

	Group		Company	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Lease liabilities included in the statements of financial position	1,239,190	1,200,050	143,321	180,481
Lease liabilities are classified as follows:				
Current	303,463	348,680	41,400	37,161
Non-current	935,727	851,370	101,921	143,320
	1,239,190	1,200,050	143,321	180,481
Maturity analysis of contractual Undiscounted cash flows:				
Less than one year	322,572	433,051	50,366	49,245
One to five years	703,910	554,211	115,102	155,655
More than five years	387,613	387,285	-	5,516
	1,414,095	1,374,547	165,468	210,416

(b) Amounts recognised in statements of profit or loss

	Group 2023	Group 2022	Company 2023	Company 2022
Interest expense on lease liabilities (note 32)	60,254	59,057	12,085	12,162
Depreciation on right-of-use assets	338,941	358,708	41,694	34,933
Expenses related to short-term leases	49,755	14,464	-	-

(c) Amounts recognised in statements of cash flows:

	Group 2023	Group 2022	Company 2023	Company 2022
Total cash outflow for leases	364,367	352,264	49,245	40,866

(d) Extension options

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group 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 Group has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liabilities of $56.57 million (2022: $44.20 million).

26. Leases (continued)

(ii) The Group as lessor

The Group leases out property and equipment. The Group 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.

Rental income recognised by the Group was $47.71 million (2022: $44.56 million), see note 15(c).

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

	Group	
	2023	2022
	$'000	$'000
Less than one year	300,856	115,787
One to five years	173,516	190,741
	474,372	306,528

The Company does not have any lease as lessor.

27. Reserve fund

In accordance with the Banking Services Act, 2014 and regulations, under which one of the indirect subsidiaries operates, the entity is required to make transfers to the 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 subsidiary, and thereafter 10% of the net profits until the fund is equal to its paid-up capital.

28. Contractual savings reserve

Under a previously operated scheme, the members of the predecessor entity, the Society, after meeting certain criteria, including saving a contracted sum at a fixed interest rate of 3% per annum which is maintained by an indirect subsidiary, 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.

29. Other reserves

	Group		Company	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Capital reserve	83,076	83,076	-	-
Translation reserve [see (a)]	614,109	933,396	-	-
Investment revaluation reserve [see (b)]	(3,735,364)	(1,921,930)	-	-
Credit loss reserve [see (c)]	583,778	491,230	-	-
Unclaimed funds reserves [see note (d)]	149,041	153,869	149,041	15,869
Other reserves	8,002	8,002	-	-
Retained earnings reserve [see note 30]	7,123,000	7,123,000	-	-
	4,825,642	6,870,643	149,041	153,869

29. Other reserves (continued)

(a) Translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign subsidiaries to Jamaica dollars for consolidation purposes.

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

(c) This is a non-distributable reserve representing the excess of regulatory and other provisions over the IFRS allowance for loan losses [note 12(f)].

(d) This reserve was created in the company on February 1, 2017 under a scheme of arrangement to meet possible claims from customers with dormant accounts exceeding 15 years who may come forward.

30. Retained earnings reserve

The Banking Services Act, 2014 permits transfers from net profits to retained earnings reserve for a banking indirect subsidiary, which constitutes a part of the capital base of that subsidiary. Transfers to the retained earnings reserve are made at the discretion of the Board of Directors. Such transfers must be notified to the Bank of Jamaica and any transfer from the reserve must also be approved by the Bank of Jamaica. During the year a banking indirect subsidiary transferred $Nil million (2022: $1,834 million) from retained earnings to retained earnings reserve.

31. Non-controlling interest

(a) Non-controlling interest

	Group	
	2023	2022
	$'000	$'000
Share capital	3,612	3,612
Share of profits and reserves	59,425	77,064
	63,037	80,676

This represents the non-controlling interest in the following indirect subsidiaries:

	Non-controlling interest holding	
	2023	2022
	%	%
JN Cayman	4.11	4.11
Management Control Systems Limited	2.69	2.69
JN General Insurance Company Limited	0.36	0.50

(b) Dividends to shareholders

	2023	2022
	$'000	$'000
Interim dividends paid to non-controlling interest	17	24

31. Non-controlling interest (continued)

At the Board of Directors meeting held on December 22, 2022 (2022: March 11) the directors of an indirect subsidiary declared interim dividends of which $0.02 million (2022: $0.02 million) were paid to shareholders with non-controlling interest.

32. Interest expense

	Group		Company	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Specialised financial institutions	83,380	112,099	11,244	43,034
Customer deposits	1,442,078	1,014,668	-	-
Securities sold under repurchase agreements	1,747,708	982,059	-	-
Long-term loans	724,504	1,038,426	-	599,329
Lease liabilities [note 26(i)(b)]	60,254	59,057	12,085	12,162
Other	93,011	36,212	118,824	-
	4,150,935	3,242,521	142,153	654,525

33. Other operating income

	Group		Company	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Fees and commission:				
Commission income	133,235	77,694	-	-
Transaction fees	879,197	497,692	-	-
Loan fees	673,698	1,359,185	-	-
Money transfer fees	2,098,791	2,050,248	-	-
Mobile credit top up	13,000	26,089	-	-
Asset management fees	184,129	185,444	-	-
Corporate finance and advisory fees	30,053	64,267	-	-
Other fees and commission	112,206	425,542	-	-
Total fees and commission	4,124,309	4,686,161	-	-
Sundry:				
Realised gains on foreign exchange trading	3,874,436	4,069,308	-	-
Net underwriting insurance income	797,677	1,316,115	-	-
Management fees	-	-	1,494,233	1,608,050
Gains on extinguishment of liability	943,222	-	-	-
Dividends	267,022	22,620	761,000	150,000
Increase in fair value of investment property	186,599	199,635	-	-
Rendering of services	2,104,698	1,117,229	2,134,641	1,976,159
Gain on disposal of property	629,551	-	-	-
Gain on purchase of mortgage receivable portfolio	-	-	5,646,496	-
Other	721,970	379,003	-	-
Total sundry	9,525,175	7,103,910	10,036,370	3,734,209
Total other operating income	13,649,484	11,790,071	10,036,370	3,734,209

34. Operating expenses

	Group		Company	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Administrative	4,910,965	4,550,822	643,580	411,092
Employee costs (note 36)	14,041,476	12,403,199	2,570,643	2,029,719
Advertising and promotion	587,599	475,826	128,808	88,344
Audit fees – current year	374,978	322,034	14,636	8,000
– Prior year	7,618	10,625	7,618	8,197
Bad debts written-off for loans and other receivables	398,365	355,626	-	-
Directors' fees	130,359	123,621	42,226	41,477
Directors' remuneration	99,388	97,278	99,388	97,278
Depreciation and amortisation	1,372,844	1,490,307	179,121	162,246
Legal and other professional fees	4,826,063	3,840,157	1,288,446	848,197
	26,749,655	23,669,495	4,974,466	3,694,550

35. Taxation

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

	Group		Company	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
(i) Current tax expense:				
On profit for the year	1,649,383	1,046,072	513,332	-
Employment tax credit	(174,092)	(16,925)	(163,152)	-
Adjustments in respect of prior year	7,901	1,037	-	-
	1,483,192	1,030,184	350,180	-
(ii) Deferred taxation (note 18):				
Origination and reversal of temporary differences	(773,761)	(547,074)	(38,321)	19,634
Unrecognised tax losses	274,083	21	519,228	-
	(499,678)	(547,053)	480,907	19,634
Total taxation in statements of profit or loss	983,514	483,131	831,087	19,634

(b) Reconciliation of effective tax charge:

Income tax is computed at rates of 25% for the Company, 15%, 33⅓% and 25% for local direct and indirect subsidiaries and 19%, 26½% and 40% for certain foreign indirect subsidiaries. Dividends received from local subsidiaries and companies external to the Group are subject to withholding tax at 0% and 15%, respectively.

35. Taxation (continued)

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

Tax is computed on income at 0% for Cayman Islands indirect subsidiaries. The effective tax rate for 2023 was 32.66% of loss before taxation (2022: 333.50% of profit before taxation) for the Group and 16.65% (2022: 16.64%) for the Company.

The actual charge differs from the "expected" tax charge for the year, as follows:

	Group		Company	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
(Loss)/profit before taxation	(3,010,989)	144,865	4,990,457	117,976
Computed "expected" tax expense at 15% & 19%	3,350	7,130	-	-
Computed "expected" tax expense at 25%	1,476,138	221,238	1,247,614	29,494
Computed "expected" tax expense at 26½ %	299,020	464,078	-	-
Computed "expected" tax expense at 33⅓% & 40%	272,463	488,314	-	-
	2,050,971	1,180,760	1,247,614	29,494
Tax effect of difference between profit for financial statements and tax reporting purposes on -				
Depreciation charge and capital allowances	(164,632)	66,287	(11,148)	(3,293)
Foreign exchange gains	-	(1,881)	-	-
Loss/(gain) on disposal of property, plant and equipment	3,482	(14,964)	-	-
Unfranked and exempt income	(593,255)	(518,121)	(190,250)	-
Loss/(gain) on disposal of investments	354	(2,021)	-	-
Disallowed expenses, net	(23,704)	119,227	16,786	10,205
Employment tax credit	(174,092)	(16,925)	(163,152)	-
Tax losses	(15,517)	94,558	(74,228)	(43,951)
Reversal of impairment losses on loan	-	(423,882)	-	-
Other	(107,994)	(944)	5,465	27,179
	975,613	482,094	831,087	19,634
Prior year under provision	7,901	1,037	-	-
Actual tax expense, net	983,514	483,131	831,087	19,634

(c) At March 31, 2023, taxation losses of the Company and local indirect subsidiaries available for relief against future taxable profits, subject to the agreement of the Commissioner General, Tax Administration Jamaica, aggregated approximately $4,500.00 million (2022: $5,500.00 million) for the Group and Nil (2022: $2,100.00 million) for the Company.

35. Taxation (continued)

(c) (Continued)

The Company and its direct subsidiaries were able to utilise the full amount of the tax loss, as they were within its first five years of assessment following the year of assessment in which they commenced business. Effective January 1, 2014, tax losses may be carried forward indefinitely. However, the amount that can be utilised in any one year is restricted to 50% of the taxable profits for the year. Taxation losses available to overseas indirect subsidiaries, for relief against their future taxable profits, amounted to approximately $6,000.00 million (2022: $3,900.00 million).

(d) At March 31, 2023, a deferred tax liability of approximately $3,560.00 million (2022: $3,750.00 million), relating to investment in certain indirect subsidiaries and associated companies, has not been recognised as the Company controls, or significantly controls, whether any liability will be incurred and management is satisfied that it will not be incurred in the foreseeable future.

36. Employee costs

	Group		Company	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Salaries	10,320,364	9,154,864	2,033,691	1,629,724
Group life, pension and health insurance contributions	1,052,334	880,006	200,404	174,148
Statutory payroll contributions	1,097,341	1,014,984	201,791	158,811
Staff welfare	482,785	-	-	-
Other	1,088,652	1,353,345	134,757	67,036
Total (note 34)	14,041,476	12,403,199	2,570,643	2,029,719

37. Related party balances and transactions

(a) Definition of related party:

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

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or a parent of the Group.

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

(i) The entity and the Group 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.

37. Related party balances and transactions (continued)

(a) Definition of related party:

B An entity is related to the Group if any of the following conditions applies (continued):

(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 Group or an entity related to the Group.

(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 Group [or to the parent of the Group].

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 Company has a related party relationship with its subsidiaries, indirect subsidiaries, associates, the JN Group Pension Scheme, directors, companies owned by directors, other key management personnel and JN Foundation.

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

	Group		Company	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Cash resources				
Other related entities	-	-	162,159	281,290
Loans				
Other key management personnel	281,610	279,426	-	-
Other related entities	-	-	133,395	14,298,278
Customer deposits				
Directors	246,734	228,125	-	-
Other key management personnel	99,897	294,144	-	-
Other related entities	49,969	49,445	-	-
Securities sold under repurchase agreements				
Directors	87,695	131,746	-	-
Other related entities	438,464	1,215,587	-	-
Other payables				
Other related entities	157,242	-	332,640	154,540
Long-term loans				
Other related entities	-	-	604,216	-

37. Related party balances and transactions (continued)

(d) The statements of profit or loss include income earned from, and expenses incurred in, transactions with related parties in the ordinary course of business, as follows:

	Group		Company	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Subsidiaries:				
Dividend income	-	-	(761,000)	(150,000)
Management fees income	-	-	(1,494,233)	(1,608,050)
Management fees expense	-	-	49,531	145,499
Directors:				
Interest expense	5,115	6,931	-	-
Other related parties:				
Interest income	-	-	(94,429)	(448,856)
Fee income	(75,281)	(68,419)	(2,105,464)	(1,949,571)
Interest expense	24,455	25,051	12,616	4,007
Insurance expense		-	14,951	27,215
Contribution to pension scheme	328,016	276,294	82,905	6,935
Contribution to JN Foundation	59,762	57,944	29,000	-

(e) Compensation paid to or in respect of key management personnel (directors and senior executives) included in employee costs (note 36) is as follows:

	Group		Company	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Short-term benefits	471,409	434,147	202,902	225,289
Post-employment benefits	16,029	12,203	7,874	8,226
	487,438	446,350	210,776	233,515

38. Managed funds

An indirect subsidiary acts as agent and earns fees for managing clients' funds on a non-recourse basis under a management agreement. The Group has no legal or equitable right or interest in these funds and, accordingly, these funds and the assets in which they are invested have been excluded from these financial statements. At March 31, 2023, these funds amounted to $40.91 billion (2022: $39.06 billion).

39. Financial risk management

(a) Overview:

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

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

39. Financial risk management (continued)

(a) Overview (continued):

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

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

The Group's risk management policies are established to identify, assess and measure the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The focus of financial risk management for the Group is ensuring that the Group has adequate economic capital and that the proceeds from its disposal of financial assets are sufficient to fund the obligations arising from its deposit base and other contractual liabilities. The goal of the investment management process is to, within the policy guidelines, optimise the after-tax investment income and total return by investing in a diversified portfolio of securities and other financial assets, whilst ensuring that the assets and liabilities are managed on a cash flow and duration basis.

A key aspect of the management of the Group's financial risk is matching the timing of cash flows relating to assets and liabilities. The Group 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 Group can always meet its obligations without undue cost and in accordance with the Group's internal and regulatory capital requirements.

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

Risk management policies and systems are reviewed regularly to reflect changes in market conditions, and products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(b) Credit risk:

Credit risk is the risk of financial loss should any of the Group's customers, clients or market counterparties fail to fulfil their contractual obligations to the Group. 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 Group 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 as well as settlement balances with market counterparties and reverse repurchase agreements.

39. Financial risk management (continued)

(b) Credit risk (continued):

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

(i) Credit risk management

(1) Loans and advances (including loan commitments and guarantees)

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

Credit risk grading

The Group uses internal credit risk gradings that reflect its assessment of the creditworthiness of individual counterparties. 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 the rating model. This is supplemented with external data such as credit bureau scoring information on individual borrowers. In addition, the model enables expert judgement from management to be fed into the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model.

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

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

Credit classification	Credit risk rating at origination
Excellent	R1
Very good	R2
Good	R3
Acceptable	R4
Marginal	R5
Potential problem	R6
Substandard	R7
Non Performing Loan (NPL)	R8

39. Financial risk management (continued)

(b) Credit risk (continued):

(i) Credit risk management (continued)

(2) Investments

For debt securities in the Treasury portfolio, external rating agency credit grades are used.

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

The Group's rating method comprises 20 rating levels for instruments not in default (1 to 20) and three default levels (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 Group's internal rating scale, mapped to external ratings, are set out below:

Group rating	TTC PD as a percentage (Corporate)	TTC PD as a percentage (Sovereign)	S & P	Moody's	Description of Grade
1	0.01%	0.00%	AAA	Aaa	Investment Grade
2	0.02%	0.00%	AA+	Aa1	
3	0.02%	0.00%	AA	Aa2	
4	0.02%	0.00%	AA-	Aa3	
5	0.05%	0.02%	A+	A1	
6	0.05%	0.02%	A	A2	
7	0.05%	0.02%	A-	A3	
8	0.16%	0.10%	BBB+	Baa1	
9	0.16%	0.10%	BBB	Baa2	
10	0.16%	0.10%	BBB-	Baa3	
11	0.83%	0.48%	BB+	Ba1	Speculative Grade
12	0.83%	0.48%	BB	Ba2	
13	0.83%	0.48%	BB-	Ba3	
14	3.04%	2.40%	B+	B1	
15	3.04%	2.40%	B	B2	
16	3.04%	2.40%	B-	B3	
17	7.21%	11.27%	CCC+	Caa1	
18	7.21%	11.27%	CCC	Caa2	
19	7.21%	11.27%	CCC-	Caa3	
20	27.94%	11.27%	CC	Ca	
21	27.94%	11.27%	C	C to D	Default
22	100.00%	100.00%	D		
23	100.00%	100.00%	SD		

39. Financial risk management (continued)

(b) Credit risk (continued):

(ii) Expected credit loss measurement

A. Credit impairment modelling

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 Group.

Stage 2

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

Stage 3

Purchased or originated credit-impaired (POCI) financial assets are those financial assets that are credit-impaired on initial recognition. POCI financial assets and financial assets for which there has been a significant increase in credit risk since initial recognition such that the financial assets are determined to be credit impaired are moved to '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)	(Significant increase in credit risk and assets deemed credit-impaired)
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(b)(ii) B(4) includes an explanation of how the Group has incorporated this in its ECL models.

39. Financial risk management (continued)

(b) Credit risk (continued):

(ii) Expected credit loss measurement (continued)

B. Key judgments and assumptions in determining impairment

The key judgements and assumptions adopted by the Group in addressing the requirements of the standard relating to the determination of ECL are presented below:

(1) Significant increase in credit risk (SICR)

- Loans

  The Group considers a loan to have experienced a significant increase in credit risk when the following occurs:

  - There are qualitative factors that will negatively impact the borrower.
  - The loan is 30 days past due.

- Investments

  External credit rating grades are used as the basis for the assessment of increases in credit risk of investment instruments. Movements within investment grade are not construed as significant increases in credit risk of investment instruments; however, exceptional conditions may be taken into consideration. A movement by two notches will trigger a migration from Stage 1 to Stage 2.

  A significant increase in credit risk is determined to have occurred if, for both Corporate and Sovereign portfolios, the borrower or issuer 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.

For both loans and investments, the assessment of SICR for incorporates forward-looking information and is performed on a quarterly basis at a portfolio level for all retail financial instruments held by the Group. 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 independent Credit Risk team.

39. Financial risk management (continued)

(b) Credit risk (continued):

(ii) Expected credit loss measurement (continued)

B. Key judgments and assumptions in determining impairment (continued)

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

Backstop:

Regardless of the other criteria listed above for determining whether there has been a significant increase in credit risk, delinquency is applied as a backstop, thus the financial instrument is considered to have experienced a significant increase in credit risk if the borrower or issuer is more than 30 days past due on its contractual payments.

The Group has used the low credit risk exemption for intragroup exposures in the years ended March 31, 2023 and 2022.

(2) Definition of default and credit-impaired assets

The Group 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 (other number of days below 90 days in the case of small business and remittance entities in the Group).

(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.

The criteria above have been applied to all financial instruments held by the Group 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 PD, EAD and LGD for the Group's expected credit loss calculations.

39. Financial risk management (continued)

(b) Credit risk (continued):

(ii) Expected credit loss measurement (continued)

B. Key judgments and assumptions in determining impairment (continued)

(2) Definition of default and credit-impaired assets (continued)

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.

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

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition, but without the asset being impaired, or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the PD, EAD, and LGD, defined as follows:

- PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).
- LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD).

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.

39. Financial risk management (continued)

(b) Credit risk (continued):

(ii) Expected credit loss measurement (continued)

B. Key judgments and assumptions in determining impairment (continued)

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

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 but without the asset being impaired 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, as follows:

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month period or lifetime basis.
- For revolving products, the exposure at default is predicted by taking the current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Group's recent default data.

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

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

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

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

The assumptions underlying the ECL calculation, such as 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.

39. Financial risk management (continued)

(b) Credit risk (continued):

(ii) Expected credit loss measurement (continued)

B. Key judgments and assumptions in determining impairment (continued)

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

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

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. The economic variables for each jurisdiction in which the Group operates (the "base economic scenario") were provided by the Group's Business Advisory Services Unit and are reviewed on an annual basis. The macro economic variables provided were then estimated against each entity's NPL ratios within the JN Group. The macro-economic variables that were statistically significant with NPLs were then weighted and calibrated to the Through the Cycle (TTC) PDs of each entity by using the Vasicek Model. This model takes into consideration the effects of the business cycle to capture the changes in the macro-environment. Expert judgement was utilised in the process to help determine the impact the change in the macro- environment will have on the components of LGD and EAD. Forecasts provided by the International Monetary Fund along with historical assessments of losses during down times, informed the possible impact on the Group's credit portfolio default rates.

In addition to the base economic scenario, the Group Risk and Compliance unit also provided 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 on an annual basis.

At March 31, 2023 and 2022, the Group concluded that three scenarios appropriately captured non-linearities. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes of which each chosen scenario is representative. 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.

39. Financial risk management (continued)

(b) Credit risk (continued):

(ii) Expected credit loss measurement (continued)

B. Key judgments and assumptions in determining impairment (continued)

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

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 Group 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 forecast, 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 Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

Economic variable assumptions

The most significant assumptions used for the ECL estimate as at March 31, 2023 and 2022 are set out below. The scenarios "base", "upside" and "downside" were used for all portfolios.

The weightings assigned to each economic scenario were as follows:

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

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

39. Financial risk management (continued)

(b) Credit risk (continued):

(ii) Expected credit loss measurement (continued)

B. Key judgments and assumptions in determining impairment (continued)

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

Management used the Vasicek model to apply forward looking information.

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

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

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

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 Group's NPL.

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

39. Financial risk management (continued)

(b) Credit risk (continued):

(ii) Expected credit loss measurement (continued)

B. Key judgments and assumptions in determining impairment (continued)

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

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

The Group'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

(6) Management of credit risk

The Group 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 regulatory guidelines;

(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 Jamaica Central Securities Depository (JCSD), 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 Group's Risk and Compliance Unit.

39. Financial risk management (continued)

(b) Credit risk (continued):

(ii) Expected credit loss measurement (continued)

B. Key judgments and assumptions in determining impairment (continued)

(6) 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 Credit Risk Management 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 Group'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 customers' financial position and where the Group has made concessions that it would not otherwise consider. Once the loan is restructured, it remains in this category irrespective of satisfactory performance after restructuring. At March 31, 2023, the outstanding principal balances on loans that were restructured for the Group amounted to $1.88 billion (2022: $1.71 billion).

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

Past due but unimpaired credits to borrowers 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.

39. Financial risk management (continued)

(b) Credit risk (continued):

(ii) Expected credit loss measurement (continued)

B. Key judgments and assumptions in determining impairment (continued)

(6) Management of credit risk (continued)

Write-off policy

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

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

The Group may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amount of such assets written off during the year ended March 31, 2023 was $324.87 million (2022: $403.62 million). The Group still seeks to recover in full amounts it is legally owed, but which have been wholly or partially written off due to no reasonable expectation of full recovery.

Concentration by class and geographical area

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

The Group has documented investment policies in place, which guide in managing credit risk on cash resources, securities purchased under resale agreements, investment securities, loans, and a portion of other assets (excluding inventory). The Group'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.

39. Financial risk management (continued)

(b) Credit risk (continued):

(ii) Expected credit loss measurement (continued)

B. Key judgments and assumptions in determining impairment (continued)

(6) Management of credit risk (continued)

Concentration by class and geographical area (continued)

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

	Group		Company	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Jamaica	232,960,644	233,269,205	967,980	9,261,533
United States of America	7,338,552	12,249,631	-	-
United Kingdom	28,824,407	26,016,751	-	-
Canada	4,314,612	4,668,233	-	-
Ghana	1,869	9,297	-	-
Barbados	30,746	72,466	-	-
Bahamas	30,651	5,689	-	-
Turks and Caicos Islands	48,207	43,361	-	-
Cayman Islands	6,936,303	7,887,436	-	-
Trinidad & Tobago	899,475	941,784	-	-
Philippines	5,142	57,761	-	-
Dominican republic	24,481	72	-	-
Nombia	-	3,998	-	-
Belize	77,254	1,788	-	-
Grenada	-	1,638	-	-
Antigua	957	14,048	-	-
Anguilla	968	1,027	-	-
St. Kitts	1,068	3,355	-	-
British Virgin Island	7,655	791	-	-
	281,502,991	285,248,331	967,980	9,261,533

Credit quality of loans

The credit quality of the loans is summarised as follows:

	Group		Company	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Neither past due nor impaired	127,491,482	112,767,071	133,395	8,651,783
Past due but not impaired:				
Below 30 days	9,818,253	10,856,802	-	-
30 to 60 days	3,380,826	2,971,146	-	-
60 to 90 days	1,783,224	1,628,339	-	-
Individually impaired:				
90-180 days	1,874,330	1,590,694	-	-
180-365 days	1,705,515	1,546,527	-	-
12-18 months	960,281	566,186	-	-
18 months and over	2,532,159	1,573,687	-	-
Balance carried forward (page 70)	149,546,070	133,500,452	133,395	8,651,783

39. Financial risk management (continued)

(b) Credit risk (continued):

(ii) Expected credit loss measurement (continued)

B. Key judgments and assumptions in determining impairment (continued)

(6) Management of credit risk (continued)

Credit quality of loans (continued)

The credit quality of the Group's and Company's loans is summarised as follows (continued):

	Group		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Balance brought forward from page (69)	149,546,070	133,500,452	133,395	8,651,783
Less allowance for losses [note 12(e)]	(5,782,692)	(3,256,169)	-	-
Total loans	143,763,378	130,244,283	133,395	8,651,783
Unused credit limit	1,712,634	1,672,224	-	-
Loan commitments	5,665,404	5,355,410	-	-
Total credit exposure	151,141,416	137,271,917	133,395	8,651,783

Exposure to credit risk

The maximum credit risk exposure is the amount of loss that the Group would suffer if all counterparties to which the Group is exposed were to default at once. This is represented substantially by the carrying amount of financial assets shown on the statements 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.

39. Financial risk management (continued)

(b) Credit risk (continued):

(ii) Expected credit loss measurement (continued)

B. Key judgments and assumptions in determining impairment (continued)

(6) Management of 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 Group's maximum exposure to credit risk on these assets.

	Group			
	Loans			
	2023			
	ECL staging			
Credit grade	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
	$'000	$'000	$'000	$'000
Standard monitoring	132,260,226	115,843	5,703	132,381,772
Special monitoring	6,394,625	12,009,580	-	18,404,205
Default	-	-	7,405,667	7,405,667
Gross carrying amount	138,654,851	12,125,423	7,411,370	158,191,644
Loss allowance	(1,545,299)	(544,124)	(3,693,269)	(5,782,692)
Carrying amount	137,109,552	11,581,299	3,718,101	152,408,952

	Group			
	Loans			
	2022			
	ECL staging			
Credit grade	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
	$'000	$'000	$'000	$'000
Standard monitoring	119,279,392	444,596	5,520	119,729,508
Special monitoring	5,155,212	10,640,188	-	15,795,400
Default	-	-	5,228,857	5,228,857
Gross carrying amount	124,434,604	11,084,784	5,234,377	140,753,765
Loss allowance	(1,025,770)	(321,248)	(1,909,151)	(3,256,169)
Carrying amount	123,408,834	10,763,536	3,325,226	137,497,596

39. Financial risk management (continued)

(b) Credit risk (continued):

(ii) Expected credit loss measurement (continued)

B. Key judgments and assumptions in determining impairment (continued)

(6) Management of credit risk (continued)

Information on how the Expected Credit Loss (ECL) is measured and how the three stages above are determined is included in note 39(b)(ii) ‘Expected credit loss measurement’.

The maximum exposure to credit risk for financial assets not subject to impairment is the carrying amount of the financial assets classified as FVTPL (see note 8).

Collateral and other credit enhancements held against financial assets

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

The Group does not generally hold collateral over balances with banks or broker/dealers, except when securities are held under resale agreements.

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

39. Financial risk management (continued)

(b) Credit risk (continued):

(ii) Expected credit loss measurement (continued)

B. Key judgments and assumptions in determining impairment (continued)

(6) Management of credit risk (continued)

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

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

	Group			
	Loans and advances		Securities purchased under resale agreements	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Against neither past due nor impaired financial assets:				
Properties	142,223,786	135,311,442	-	-
Debt securities	49,063	-	6,285,080	18,371,424
Liens on motor vehicles	7,430,072	6,809,506	-	-
Hypothecation of deposits	2,290,469	2,358,940	-	-
Other	-	931	-	-
Household assets	-	5,843	-	-
Subtotal	151,993,390	144,486,662	6,285,080	18,371,424
Against past due but not impaired financial assets:				
Properties	26,088,790	24,424,115	-	-
Household assets	-	7,270	-	-
Liens on motor vehicles	839,843	853,483	-	-
Other	-	3,000	-	-
Subtotal	26,928,633	25,287,868	-	-
Against past due and impaired financial assets:				
Properties	5,215,478	6,506,037	-	-
Household assets	-	244,329	-	-
Liens on motor vehicles	183,550	478,795	-	-
Hypothecation of deposits	-	16,892	-	-
Business equipment	601	3,636	-	-
Other	-	18,770	-	-
Subtotal	5,399,629	7,268,459	-	-
Grand total	184,321,652	177,042,989	6,285,080	18,371,424

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

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

39. Financial risk management (continued)

(b) Credit risk (continued):

(ii) Expected credit loss measurement (continued)

B. Key judgments and assumptions in determining impairment (continued)

(6) Management of credit risk (continued)

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

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

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

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

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

	Group			
	2023			
	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
Credit-impaired assets	$'000	$'000	$'000	$'000
Loans				
- Credit cards	103,980	(59,687)	44,293	-
- Term loans	4,898,538	(3,453,143)	1,445,395	183,550
- Mortgages	2,377,715	(168,746)	2,208,969	5,215,479
- Other	31,137	(11,693)	19,444	-
Totals for credit-impaired assets	7,411,370	(3,693,269)	3,718,101	5,399,029

39. Financial risk management (continued)

(b) Credit risk (continued):

(ii) Expected credit loss measurement (continued)

B. Key judgments and assumptions in determining impairment (continued)

(6) Management of credit risk (continued)

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

	Group			
	2022			
	Gross exposure	**Impairment allowance**	**Carrying amount**	**Fair value of collateral held**
Credit-impaired assets	$'000	$'000	$'000	$'000
Loans				
- Credit cards	66,821	(34,712)	32,109	-
- Term loans	2,855,253	(1,649,539)	1,205,714	1,489,639
- Mortgages	2,212,000	(205,642)	2,006,358	5,993,341
- Other	100,302	(19,258)	81,044	297,610
Totals for credit-impaired assets	5,234,376	(1,909,151)	3,325,225	7,780,590

Loss allowance

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

	Group	
	2023	2022
	$'000	$'000
Loans (note 12)	2,667,459	841,552
Investments (note 8)	23,363	(96,202)
Other financial assets (note 13)	(37,900)	(52,760)
	2,652,922	692,590

The loss allowance recognised in the year 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 year, as well as releases for financial instruments derecognised in the year;
- Discount unwound within ECL due to the passage of time, as ECL is measured on a present value basis;

39. Financial risk management (continued)

(b) Credit risk (continued):

(ii) Expected credit loss measurement (continued)

B. Key judgments and assumptions in determining impairment (continued)

(6) Management of credit risk (continued)

Loss allowance (continued)

- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the year and write-offs of allowances related to assets that were written off during the year [see note 45(a)].

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

	Group			
	2023			
	Stage 1	Stage 2	Stage 3	
Loans	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Loss allowance as at April 1, 2022	1,025,770	321,248	1,909,151	3,256,169
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(58,446)	58,446	-	-
Transfer from Stage 1 to Stage 3	(48,305)	-	48,305	-
Transfer from Stage 2 to Stage 1	43,697	(43,697)	-	-
Transfer from Stage 2 to Stage 3		(79,637)	79,637	-
Transfer from Stage 3 to Stage 2		70,229	(70,229)	-
Transfer from Stage 3 to Stage 1	17,047	-	(17,047)	-
Impact of changes due to update in methodology for estimation	157,939	25,420	949,503	1,132,862
New financial assets originated or purchased	664,410	265,207	407,238	1,336,855
Financial assets derecognised during the year	(133,589)	(63,014)	(53,382)	(249,985)
Other movements	(84,352)	(9,194)	541,273	447,727
Loss allowance recognised in profit or loss (note 12)	558,401	223,760	1,885,298	2,667,459
Other movements:				
Translation adjustment (note 12)	(38,819)	(507)	-	(39,326)
Write-offs against provision (note 12)	(53)	(377)	(101,180)	(101,610)
Loss allowance as at March 31, 2023	1,545,299	544,124	3,693,269	5,782,692

39. Financial risk management (continued)

(b) Credit risk (continued):

(ii) Expected credit loss measurement (continued)

B. Key judgments and assumptions in determining impairment (continued)

(6) 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 year due to these factors (continued):

	Group			
	2022			
	Stage 1	Stage 2	Stage 3	
Loans	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	$'000	$'000	$'000	$'000
Loss allowance as at April 1, 2021	995,658	324,990	1,382,012	2,702,660
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(27,434)	27,434	-	-
Transfer from Stage 1 to Stage 3	(25,397)	-	25,397	-
Transfer from Stage 2 to Stage 1	18,729	(18,729)	-	-
Transfer from Stage 2 to Stage 3	-	(40,212)	40,212	-
Transfer from Stage 3 to Stage 2	-	14,270	(14,270)	-
Transfer from Stage 3 to Stage 1	21,905	-	(21,905)	-
Impact of changes due to update in methodology for estimation	(7,818)	200	97,218	89,600
New financial assets originated or purchased	386,209	139,738	254,958	780,905
Financial assets derecognised during the year	(191,251)	(76,510)	(48,335)	(316,096)
Other movements	(139,283)	(32,901)	459,327	287,143
Loss allowance recognised in profit or loss (note 12)	35,660	13,290	792,602	841,552
Other movements:				
Translation adjustment (note 12)	826	1,910	12,378	15,114
Write-offs against provision (note 12)	(6,374)	(18,942)	(277,841)	(303,157)
Loss allowance as at March 31, 2022	1,025,770	321,248	1,909,151	3,256,169

39. Financial risk management (continued)

(b) Credit risk (continued):

(ii) Expected credit loss measurement (continued)

B. Key judgments and assumptions in determining impairment (continued)

(6) Management of credit risk (continued)

Loss allowance (continued)

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

- The high volume of new loans originated during the year, aligned with the Group's strategy.
- The write-off of loans with a total gross carrying amount of $357.02 million (2023: $403.62 million) resulted in the reduction of the Stage 3 loss allowance by the same amount.

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

	Group			
	2023			
	Stage 1	Stage 2	Stage 3	
Loans	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	
	$'000	**$'000**	**$'000**	**$'000**
Gross carrying amount as at April 1, 2022	124,434,604	11,084,784	5,234,377	140,753,765
Transfers:				
Transfer from Stage 1 to Stage 2	(4,739,419)	4,739,419	-	-
Transfer from Stage 1 to Stage 3	(2,066,165)	-	2,066,165	-
Transfer from Stage 2 to Stage 3	-	(1,362,413)	1,362,413	-
Transfer from Stage 3 to Stage 2	-	502,201	(502,201)	-
Transfer from Stage 3 to Stage 1	145,116	-	(145,116)	-
Transfer from Stage 2 to Stage 1	2,529,398	(2,529,398)	-	-
New financial assets originated or purchased	42,437,680	1,716,838	364,524	44,519,042
Financial assets derecognised during the year	(25,352,084)	(2,008,095)	(631,503)	(27,991,682)
Write-offs	(1,815)	(17,913)	(337,289)	(357,017)
Gross carrying amount as at March 31, 2023	137,387,315	12,125,423	7,411,370	156,924,108

39. Financial risk management (continued)

(b) Credit risk (continued):

(ii) Expected credit loss measurement (continued)

B. Key judgments and assumptions in determining impairment (continued)

(6) Management of credit risk (continued)

Loss allowance (continued)

The following table further explains changes in the gross carrying amount of the loans portfolio, loan commitments and credit cards to help explain their significance to the changes in the loss allowance for the same portfolio as discussed above (continued):

	Group			
	2022			
	Stage 1	Stage 2	Stage 3	
Loans	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Gross carrying amount as at April 1, 2021	109,141,191	12,254,266	4,899,376	126,294,833
Transfers:				
Transfer from Stage 1 to Stage 2	(2,933,981)	2,933,981	-	-
Transfer from Stage 1 to Stage 3	(1,127,760)	-	1,127,760	-
Transfer from Stage 2 to Stage 3	-	(1,037,897)	1,037,897	-
Transfer from Stage 3 to Stage 2	-	877,336	(877,336)	-
Transfer from Stage 3 to Stage 1	191,165	-	(191,165)	-
Transfer from Stage 2 to Stage 1	3,390,238	(3,390,238)	-	-
New financial assets originated or purchased	38,312,486	415,206	631,808	39,359,500
Financial assets derecognised during the year	(22,525,569)	(958,451)	(1,012,928)	(24,496,948)
Write-offs	(13,166)	(9,419)	(381,035)	(403,620)
Gross carrying amount as at March 31, 2022	124,434,604	11,084,784	5,234,377	140,753,765

The total amount of undiscounted ECL at initial recognition for purchased or originated credit-impaired financial assets recognised during the period was $288.08 (2022: $Nil).

39. Financial risk management (continued)

(b) Credit risk (continued):

(ii) Expected credit loss measurement (continued)

B. Key judgments and assumptions in determining impairment (continued)

(6) Management of credit risk (continued)

Loss allowance (continued)

Investments

The following table explains the changes in loss allowances between the beginning and the end of the year due to these factors set out on page:

	Group			
	2023			
Investments	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Loss allowance as at April 1, 2022	267,457	28,084	-	295,541
Movements with P&L impact				
Transfers:				
Transfer from Stage 1 to Stage 2	(23,006)	23,006	-	-
New financial assets originated or purchased	11,760	2,522	-	14,282
Foreign exchange and other movements	(31,431)	40,512	-	9,081
Loss allowance recognised in profit or loss (note 8)	(42,677)	66,040	-	23,363
Loss allowance as at March 31, 2023	224,780	94,124	-	318,904

	Group			
	2022			
Investments	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Loss allowance as at April 1, 2021	346,252	44,153	1,338	391,743
Movements with P&L impact				
Transfers:				
Transfer from Stage 2 to Stage 1	12,644	(12,644)	-	-
New financial assets originated or purchased	96,237	-	(1,323)	94,914
Foreign exchange and other movements	(42,072)	28,084	(15)	(14,003)
Financial assets derecognised during the period	(145,604)	(31,509)	-	(177,113)
Loss allowance recognised in profit or loss (note 8)	(78,795)	(16,069)	(1,338)	(96,202)
Loss allowance as at March 31, 2022	267,457	28,084	-	295,541

39. Financial risk management (continued)

(b) Credit risk (continued):

(ii) Expected credit loss measurement (continued)

B. Key judgments and assumptions in determining impairment (continued)

(6) Management of credit risk (continued)

At the reporting date the Group had investments and securities purchased under resale agreements carried as follows:

	2023					
	Amortised cost		Carried at FVOCI		Total	
	Investments	Reverse Repos	Investments	Reverse Repos	Investments	Reverse Repos
	$'000	$'000	$'000	$'000	$'000	$'000
Investment grade	8,555,344	-	16,987,040	-	25,542,384	-
Speculative grade	3,443,818	1,632,018	61,229,569	1,594,618	64,673,387	3,226,636
	11,999,162	1,632,018	78,216,609	1,594,618	90,215,771	3,226,636
ECL provision at year end	28,917	514	289,987	-	318,904	514

	2022					
	Amortised cost		Carried at FVOCI		Total	
	Investments	Reverse Repos	Investments	Reverse Repos	Investments	Reverse Repos
	$'000	$'000	$'000	$'000	$'000	$'000
Investment grade	1,105,453	13,064,250	13,848,661	-	14,954,114	13,064,250
Speculative grade	9,633,773	1,393,203	72,600,775	-	82,234,548	1,393,203
	10,739,226	14,457,453	86,449,436	-	97,188,662	14,457,453
ECL provision at year end	31,120	468	264,421	-	295,541	468

Speculative grade includes Government of Jamaica securities of $58.36 billion (2022: $58.74 billion) (see note 8).

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

(c) Liquidity risk

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

(i) *Funding liquidity risk* - the risk that the Group 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 Group will not be able to liquidate assets in an orderly fashion without incurring loss on liquidation. This usually stems from illiquid markets or market disruptions.

39. Financial risk management (continued)

(c) Liquidity risk (continued):

Management of liquidity risk

In evaluating liquidity rate, the Group uses the profile of undiscounted cash flows, as set out in the table below:

For subsidiaries, liquidity risk is measured using a framework that takes account of the nature of the business and applicable regulatory requirements. For example the key measurement used for assessing a banking indirect subsidiary's liquidity risk is the ratio of liquid assets (as defined by regulatory requirements) to total liabilities. The liquidity ratios are set according to the currency in which the liabilities are determined. At the reporting date for the Group they were as follows:

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

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

An analysis of the undiscounted cash flows required to settle the Group's financial liabilities and unrecognised loan commitments on the basis of their earliest possible contractual maturity is presented below. The analysis provided is by estimating the timing of the settlement of the amounts recognised in the statement of financial position. The Group does not expect that its customers will demand the payment of funds at the earliest date possible.

	Group						
	2023						
			Contractual undiscounted cash flows				
	Carrying amount	Total cash outflow	Less than 3 months	3-12 months	1-2 years	2-5 years	More than 5 years
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial Assets							
Cash resources	30,930,967	30,934,999	30,934,999	-	-	-	-
Securities purchased under resale agreements	3,362,873	3,435,988	2,243,948	1,192,040	-	-	-
Investments	92,035,688	94,145,503	16,376,134	17,996,119	3,135,150	9,405,449	47,232,651
Loans	143,763,378	155,532,181	4,570,247	1,737,905	9,880,199	29,640,598	109,703,232
Other assets	9,937,301	9,937,301	9,937,301	-	-	-	-
Total financial assets	280,030,207	293,985,972	64,062,629	20,926,064	13,015,349	39,046,047	156,935,883

THE JAMAICA NATIONAL GROUP LIMITED
(A company limited by guarantee with share capital)

Notes to the Financial Statements (Continued)
March 31, 2023

39. Financial risk management (continued)

(c) Liquidity risk (continued):

	Group 2023						
		Contractual undiscounted cash flows					
	Carrying amount $'000	Total cash outflow $'000	Less than 3 months $'000	3-12 months $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Financial Liabilities							
Bank overdraft	39,564	39,564	39,564	-	-	-	-
Due to specialised financial institutions	2,441,461	2,618,406	82,591	220,519	241,169	446,685	1,627,442
Customer deposits	201,817,130	203,343,369	166,687,975	23,833,539	7,978,540	4,819,433	23,882
Due to related entities	157,242	157,242	157,242	-	-	-	-
Securities sold under repurchase agreements	30,383,059	31,661,031	22,399,173	9,261,858	-	-	-
Other payables	9,361,501	9,165,017	9,165,017	-	-	-	-
Margin loan payable	2,086,716	2,211,919	2,211,919	-	-	-	-
Long-term loans	7,099,860	10,664,234	4,026,731	357,223	5,441,584	838,696	-
Lease liabilities	1,239,190	1,312,065	58,587	409,793	424,701	205,896	213,088
	254,625,723	261,172,847	204,828,799	34,082,932	14,085,994	6,310,710	1,864,412
Unrecognised loan commitments	-	12,039,381	12,039,381	-	-	-	-
Insurance contract liabilities	4,209,616	4,209,616	664,159	1,129,871	623,377	818,182	974,027
	258,835,339	277,421,844	217,532,339	35,212,803	14,709,371	7,128,892	2,838,439
On statement of financial position gap, being total liquidity gap	21,194,868	16,564,128	(153,469,710)	(14,286,739)	(1,694,022)	31,917,155	154,097,444
Cumulative gap			(153,469,710)	(167,756,449)	(169,450,471)	(137,533,316)	16,564,128

	Group 2022						
		Contractual undiscounted cash flows					
	Carrying amount $'000	Total cash outflow $'000	Less than 3 months $'000	3-12 months $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Financial Assets							
Cash resources	33,349,683	32,155,840	32,155,840	-	-	-	-
Securities purchased under resale agreements	14,707,855	15,483,226	8,026,555	7,456,671	-	-	-
Investments	99,808,678	101,879,827	21,584,664	10,594,142	5,195,541	15,586,624	48,918,856
Loans	130,244,283	142,067,401	571,792	5,282,690	8,943,515	29,770,329	97,499,075
Other assets	7,334,241	7,334,241	7,334,241	-	-	-	-
Total financial assets	285,444,740	298,920,535	69,673,092	23,333,503	14,139,056	45,356,953	146,417,931
Financial Liabilities							
Bank overdraft	404	404	404	-	-	-	-
Due to specialised financial institutions	4,278,683	5,220,081	189,099	930,314	546,002	724,159	2,830,507
Customer deposits	193,283,773	194,922,723	148,422,360	35,490,234	3,790,769	7,219,360	-
Due to related entities	154,540	154,540	154,540	-	-	-	-
Securities sold under repurchase agreements	34,733,613	34,850,346	19,858,685	14,889,966	101,695	-	-
Other payables	8,386,285	7,052,927	7,052,927	-	-	-	-
Long-term loans	12,349,726	30,041,521	616,629	2,786,958	2,223,721	14,147,305	10,266,908
Lease liabilities	1,200,050	1,327,847	49,073	363,454	496,336	205,896	213,088
	254,387,074	273,570,389	176,343,717	54,460,926	7,158,523	22,296,720	13,310,503
Unrecognised loan commitments	-	10,135,095	10,135,095	-	-	-	-
Insurance contract liabilities	3,297,775	3,297,775	348,829	987,159	893,969	488,974	578,844
	257,684,849	287,003,259	186,827,641	55,448,085	8,052,492	22,785,694	13,889,347
On statement of financial position gap, being total liquidity gap	27,759,891	11,917,276	(117,154,549)	(32,114,582)	6,086,564	22,571,259	132,528,584
Cumulative gap			(117,154,549)	(149,269,131)	(143,182,567)	(120,611,308)	11,917,276

39. Financial risk management (continued)

(c) Liquidity risk (continued):

	Company 2023						
		Contractual undiscounted cash flows					
	Carrying amount $'000	Total cash outflow $'000	Less than 3 months $'000	3-12 months $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Financial assets							
Cash resources	162,159	162,159	162,159	-	-	-	-
Due from related entities	408,039	408,039	408,039	-	-	-	-
Loans	133,395	144,106	1,937	9,684	11,620	34,861	86,004
Other assets	264,387	264,387	264,387	-	-	-	-
Total financial assets	967,980	978,691	836,522	9,684	11,620	34,861	86,004
Financial liabilities							
Due to related entities	332,640	332,640	332,640	-	-	-	-
Other payables	674,083	615,558	615,558	-	-	-	-
Long-term loans	604,216	768,938	9,916	165,022	165,600	428,400	-
Lease liabilities	143,321	165,468	12,422	37,944	51,575	63,527	-
Total financial liabilities	1,754,260	1,882,604	970,536	202,966	217,175	491,927	-
On statement of financial position gap, being total liquidity gap	(786,280)	(903,913)	(134,014)	(193,282)	(205,555)	(457,066)	86,004
Cumulative gap	-	-	(134,014)	(327,296)	(532,851)	(989,917)	(903,913)

	Company 2022						
		Contractual undiscounted cash flows					
	Carrying amount $'000	Total cash outflow $'000	Less than 3 months $'000	3-12 months $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Financial assets							
Cash resources	281,290	281,290	281,290	-	-	-	-
Due from related entities	131,596	131,596	131,596	-	-	-	-
Loans	8,651,783	11,802,330	285,477	856,431	1,141,908	6,365,509	3,153,005
Other assets	196,864	196,864	196,864	-	-	-	-
Total financial assets	9,261,533	12,412,080	895,227	856,431	1,141,908	6,365,509	3,153,005
Financial liabilities							
Due to related entities	154,540	154,540	154,540	-	-	-	-
Other payables	386,320	386,320	386,320	-	-	-	-
Long-term loans	8,283,533	11,168,347	339,147	999,576	1,291,080	5,996,346	2,542,198
Lease liabilities	180,481	210,416	12,154	37,091	50,366	105,289	5,516
Total financial liabilities	9,004,874	11,919,623	892,161	1,036,667	1,341,446	6,101,635	2,547,714
On statement of financial position gap, being total liquidity gap	256,659	492,457	3,066	(180,236)	(199,538)	263,874	605,291
Cumulative gap	-	-	3,066	(177,170)	(376,708)	(112,834)	492,457

39. 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 Group's assets, the amount of its liabilities and/or the Group's income. Market risk arises in the Group due to fluctuations in the value of liabilities and the value of investments held. The Group is exposed to market risk on all of its financial assets.

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

Management of market risk

The Board Finance Committee manages market risks in accordance with its Investment Policy. The Committee reports regularly to the Board of Directors on its activities. For each of the major components of market risk, the Group 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 Group 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 Group is subject, or its approach to measuring and managing the risk.

(i) Interest rate risk:

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

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

The Group's deposit-taking indirect subsidiaries manage risk by monitoring their customers' deposits, taking steps to ensure the 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 amount of recognised financial assets and financial liabilities to arrive at the Group'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.

39. Financial risk management (continued)

(d) Market risk (continued):

Management of market risk (continued)

(i) Interest rate risk (continued):

	Group						
	2023						
	Immediately rate sensitive	Within 3 months	3 to 12 months	Over 1 year	Non-rate sensitive	Total	Weighted average interest rate
	$'000	$'000	$'000	$'000	$'000	$'000	%
Financial Assets							
Cash resources	1,784,611	11,117,458	-	-	18,028,898	30,930,967	0.1
Securities purchased under resale agreements	-	2,158,639	1,147,213	-	57,021	3,362,873	5.2
Investments	-	15,317,734	17,452,582	57,291,038	1,974,334	92,035,688	4.3
Loans	-	5,323,611	2,150,137	135,550,722	738,908	143,763,378	9.0
Other assets	-	-	-	-	9,764,277	9,764,277	0.0
Total financial assets	1,784,611	33,917,442	20,749,932	192,841,760	30,563,438	279,857,183	
Financial Liabilities							
Bank overdraft	39,564	-	-	-	-	39,564	0.0
Due to specialised financial institutions	-	79,211	216,936	2,145,314	-	2,441,461	2.0
Customer deposits	979,074	164,459,100	23,746,658	12,245,092	387,206	201,817,130	0.8
Due to related entities	-	-	-	-	157,242	157,242	0.0
Securities sold under repurchase agreements	-	21,225,953	9,057,058	-	100,048	30,383,059	7.0
Other payables	-	4,287	-	-	8,507,587	8,511,874	0.0
Margin loan payable	-	2,086,716	-	-	-	2,086,716	0.0
Long-term loans	-	-	996,888	6,039,507	63,465	7,099,860	6.5
Lease liabilities	-	29,450	204,959	927,395	77,386	1,239,190	6.0
Total financial liabilities	1,018,638	187,884,717	34,222,499	21,357,308	9,292,934	253,776,096	
On-statement-of-financial - position gap, being total interest rate sensitivity gap	765,973	(153,967,275)	(13,472,567)	171,484,452	21,270,504	26,081,087	
Cumulative gap	765,973	(153,201,302)	(166,673,869)	4,810,583	26,081,087	-	

39. Financial risk management (continued)

(d) Market risk (continued):

Management of market risk (continued)

(i) Interest rate risk (continued):

	Group 2022						
	Immediately rate sensitive	Within 3 months	3 to 12 months	Over 1 year	Non-rate sensitive	Total	Weighted average interest rate
	$'000	$'000	$'000	$'000	$'000	$'000	%
Financial Assets							
Cash resources	2,876,126	11,189,291	-	-	19,284,266	33,349,683	0.1
Securities purchased under resale agreements	-	7,718,654	6,856,912	-	132,289	14,707,855	9.1
Investments	-	19,284,704	10,325,017	67,189,462	3,009,495	99,808,678	3.7
Loans	-	9,101,116	5,134,219	115,401,704	607,244	130,244,283	7.7
Other assets	-	-	-	-	7,137,832	7,137,832	-
Total financial assets	2,876,126	47,293,765	22,316,148	182,591,166	30,171,126	285,248,331	
Financial Liabilities							
Bank overdraft	404	-	-	-	-	404	9.5
Due to specialised financial institutions	-	4,027,752	97,925	153,006	-	4,278,683	3.3
Customer deposits	-	145,736,226	34,031,795	13,082,653	433,099	193,283,773	0.6
Due to related entities	-	-	-	-	154,540	154,540	-
Securities sold under repurchase agreements	-	19,574,397	14,733,849	101,695	323,672	34,733,613	4.6
Other payables	-	-	-	-	7,700,676	7,700,676	-
Long-term loans	-	445,522	1,802,006	10,102,198	-	12,349,726	6.5
Lease liabilities	-	143,860	204,820	423,163	428,207	1,200,050	6.0
Total financial liabilities	404	169,927,757	50,870,395	23,862,715	9,040,194	253,701,465	
On-statement-of-financial-position gap, being total interest rate sensitivity gap	2,875,722	(122,633,992)	(28,554,247)	158,728,451	21,130,932	31,546,866	
Cumulative gap	2,875,722	(119,758,270)	(148,312,517)	10,415,934	31,546,866	-	

	Company 2023						
	Immediately rate sensitive	Within 3 months	3 to 12 months	Over 1 year	Non-rate sensitive	Total	Weighted average interest rate
	$'000	$'000	$'000	$'000	$'000	$'000	
Financial Assets							
Cash resources	162,159	-	-	-	-	162,159	0.1
Due from related entities	-	-	-	-	408,039	408,039	-
Loans	-	5,420	7,787	95,085	25,103	133,395	3.3
Other assets	-	-	-	-	264,387	264,387	-
Total financial assets	162,159	5,420	7,787	95,085	697,529	967,980	
Financial Liabilities							
Due to related entities	-	-	-	-	332,640	332,640	-
Other payables	-	-	-	-	615,558	615,558	-
Long-term loan	-	-	124,216	480,000	-	604,216	7.3
Lease liabilities	-	9,876	31,525	101,920	-	143,321	6.0
Total financial liabilities	-	9,876	155,741	581,920	948,198	1,695,735	
On statement-of-financial-position gap, being total interest rate sensitivity gap	162,159	(4,456)	(147,954)	(486,835)	(250,669)	(727,755)	
Cumulative gap	162,159	157,703	9,749	(477,086)	(727,755)	-	

39. Financial risk management (continued)

(d) Market risk (continued):

Management of market risk (continued)

(i) Interest rate risk (continued):

	Company						
	2022						
	Immediately rate sensitive	Within 3 months	3 to 12 months	Over 1 year	Non-rate sensitive	Total	Weighted average interest rate
	$'000	$'000	$'000	$'000	$'000	$'000	
Financial Assets							
Cash resources	281,290	-	-	-	-	281,290	0.1
Due from related entities	-	-	-	-	131,596	131,596	-
Loans	-	177,312	534,973	7,920,825	18,673	8,651,783	3.3
Other assets	-	-	-	-	196,864	196,864	-
Total financial assets	281,290	177,312	534,973	7,920,825	347,133	9,261,533	
Financial Liabilities							
Due to related entities	-	-	-	-	154,540	154,540	-
Other payables	-	-	-	-	386,320	386,320	-
Long-term loan	-	445,522	893,201	6,944,810	-	8,283,533	7.3
Lease liabilities	-	8,858	28,303	143,320	-	180,481	6.0
Total financial liabilities	-	454,380	921,504	7,088,130	540,860	9,004,874	
On statement-of-financial -position gap, being total interest rate sensitivity gap	281,290	(277,068)	(386,531)	832,695	(193,727)	256,659	
Cumulative gap	281,290	4,222	(382,309)	450,386	256,659	-	

Sensitivity to interest rate movements:

Fair value sensitivity for fixed rate instruments:

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

	Increase in interest rate		Decrease in interest rate	
	Basis points		Basis points	
	2023	2022	2023	2022
J$ denominated instruments	100	300	50	50
US$ denominated instruments	100	150	50	50

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

39. Financial risk management (continued)

(d) Market risk (continued):

Management of market risk (continued)

(i) Interest rate risk (continued):

Sensitivity to interest rate movements (continued):

Fair value sensitivity for fixed rate instruments (continued):

	Group			
	2023		2022	
	Increase	Decrease	Increase	Decrease
	$'000	$'000	$'000	$'000
Other comprehensive income	(3,805,483)	2,321,100	(6,685,773)	2,518,619

The Company does not hold any fixed rate instruments.

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.

	Group	
	Effect on profit	
	Increase	Decrease
	$'000	$'000
March 31, 2023		
Variable rate instruments	32,691	(23,475)
March 31, 2022		
Variable rate instruments	125,072	(21,429)

The Company had no variable rate financial instruments at the reporting date.

(ii) Equity price risk:

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

A 6% (2022: 5%) increase and a 6% (2022: 5%) decrease in the market prices at the reporting date would result in an increase, and decrease, in reserves for the Group of $16.51 million (2022: $13.79 million) and $16.51 million (2022: $13.79 million), respectively.

The Company does not hold any equity securities.

39. Financial risk management (continued)

(d) Market risk (continued):

Management of market risk (continued)

(iii) Foreign currency risk:

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

The Group 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 the United States dollar, Canadian dollar, Cayman dollar, Euro and Pound sterling.

The Group 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.

At the reporting date, net foreign currency assets/(liabilities) were as follows:

	Group		Company	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
United States dollars	6,872	6,506	2,339	2,530
Canadian dollars	(1,992)	5,960	4	3
Pound sterling	(8,189)	(3,379)	634	345
Euro	179	1,749	-	-
Cayman dollars	5,967	6,359	-	-
Trinidad & Tobago dollars	3	305	-	-

The Bank of Jamaica's weighted average exchange rates ruling at the year-end are shown at note 45(q)(i).

Sensitivity to movements in exchange rates:

A 4% (2022: 8%) weakening of the Jamaica dollar against the major currencies in which the Group undertakes transactions at March 31 would have increased profit for the year by the amounts shown. A 1% (2022: 2%) strengthening of the Jamaica dollar against these currencies at March 31 would have had the opposite effect as shown in the table. The analysis assumes that all other variables, in particular, interest rates, remain constant.

39. Financial risk management (continued)

(d) Market risk (continued):

Management of market risk (continued)

(iii) Foreign currency risk (continued):

Sensitivity to movements in exchange rates (continued):

The analysis was done on the same basis for 2022.

	Group				Company			
	2023		2022		2023		2022	
	4%	1%	8%	2%	4%	1%	8%	2%
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
United States dollars	41,490	(10,339)	79,764	(19,974)	14,075	(3,519)	31,030	(7,767)
Canadian dollars	(8,924)	2,232	58,826	(14,721)	20	(5)	30	(7)
Pounds sterling	(61,253)	15,314	(54,199)	13,550	2,839	(710)	5,532	(1,383)
Euro	1,192	(299)	23,629	(5,912)	-	-	-	-
Cayman dollars	43,917	(10,979)	95,258	(23,783)	-	-	-	-
Trinidad & Tobago dollars	3	(1)	552	(137)	-	-	-	-

(e) Operational risk:

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

The Group's objective is to manage operational risk to achieve the optimal balance between the Group'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 Group Risk and Compliance Unit, centrally, and, in daily operations, to the senior management team.

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

This responsibility is supported by the development of overall Group standards for the management of operational risk that at 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;

39. Financial risk management (continued)

(e) Operational risk (continued):

This responsibility is supported by the development of overall Group standards for the management of operational risk that at meet the following requirement (continued):

- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- 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 Group 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 Group Audit Committee and to the Board of Directors.

(f) Capital management:

Regulatory capital

General

The Group'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 Group. This is supported by the annual Group Internal Capital Adequacy Assessment Process which seeks to ensure that all subsidiaries, on a stand-alone and on a Group basis, are adequately capitalised.

Banking indirect subsidiaries

The main regulator of JN Bank Limited (the Bank) is the Bank of Jamaica, which monitors compliance with the capital requirements for the Bank. 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.

39. Financial risk management (continued)

(f) Capital management (continued):

Regulatory capital (continued)

Banking indirect subsidiaries (continued)

The Bank of Jamaica requires the Bank to maintain a prescribed ratio of total capital to total risk weighted assets of 10% (2022: 10%). The actual ratio of total capital to total risk weighted assets at March 31, 2023, was 15% (2022: 12%).

The Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) are the primary bodies which regulate the banking industry in the UK. The UK banking subsidiary manages its capital in accordance with Capital Requirements Regulation (CRR) and Capital Requirements Directive (together referred to as CRD IV). The framework is enforced by the Prudential Regulation Authority (PRA). The PRA sets and monitors the Bank's capital requirements.

The PRA's approach to the measurement of capital adequacy is primarily based on monitoring the relationship of the capital resources requirement to available capital resources. The regulator sets Total Capital Requirement (TCR) for each bank in excess of the minimum resources requirement of 8% of risk weighted assets. A key input to the TCR setting process is the Bank's Internal Capital Adequacy Assessment Process (ICAAP).

Common Equity Tier 1 (CET1) capital as at March 31, 2023 was £8.10 million (2022: £8.01million) and exceeded the regulatory minima set by the PRA, and the CET1 capital ratio was 16.3% (2022:15.9%) which exceeded the regulatory minima.

The UK indirect banking subsidiary met the regulatory requirements for the reporting years ended March 31, 2023 and March 31, 2022.

General insurance indirect subsidiary

General insurers must maintain at least a minimum level of assets, capital and surplus to meet their liabilities as required by their regulator, the Financial Services Commission (FSC). The FSC requires the ratio of available assets to required assets to be 250% under the terms of the Minimum Capital Test (MCT). A revised test to calculate MCT came into effect on December 22, 2022 following on the signing of the amended Insurance Regulations, 2022. The revised test stipulated a required MCT of 175% for 2022 and 200% for 2021. The MCT disclosed for the current year was calculated using the revised test. The prior year’s MCT however was not updated to reflect the revised test and is consistent with the calculation applicable at December 2021.

The MCT ratio attained by the subsidiary at December 31, 2022 was 267% (December 31, 2021: 254%), with minimum required MCT ratio of 175% (December 31, 2021: 250%).

Life insurance indirect subsidiary

The entity’s regulator is the FSC which monitors the capital requirements for the subsidiary. The FSC requires the entity to maintain a minimum capital of $150 million. The entity is in compliance with this capital requirement.

39. Financial risk management (continued)

(f) Capital management (continued):

Regulatory capital (continued)

Life insurance indirect subsidiary (continued)

To assist in evaluating the current business and strategic opportunities, a risk-based approach is taken to measuring financial condition and financial performance. The risk-based assessment measure which has been adopted is the Minimum Continuing Capital and Surplus Requirement (MCCSR) standard as defined by the FSC and dictated by the Insurance Regulations 2001. Under Jamaican regulations, the minimum standard recommended for companies is a MCCSR of 150%.

The MCCSR attained by the entity at December 31 is set out below:

	2022	2021
Regulatory capital held ($`000)	602,094	625,362
Minimum regulatory capital ($`000)	217,256	201,902
MCCSR Ratio (%)	227.1%	309.7%

Investment management indirect subsidiary

The investment management subsidiary's regulator is the FSC, which monitors the entity's regulatory capital position. The FSC's benchmark capital ratios and the ratios attained by the subsidiary for the current and prior year are shown in the table below.

	FSC Benchmark	2023 Attained	2022 Attained
Capital ratios:			
Total regulatory qualifying capital expressed as a percentage of total risk weighted assets	Minimum 10%	20.96%	18.20%
Total Tier 1 capital expressed as a percentage of total qualifying capital	Greater than 50%	85.00%	90.00%
Total regulatory capital expressed as a percentage of total assets	Minimum of 6%	15.29%	12.07%

The entity is in compliance with the above-listed externally imposed capital requirements.

39. Financial risk management (continued)

(f) Capital management (continued):

Regulatory capital (continued)

Indirect foreign subsidiary

An indirect subsidiary is subject to regulatory capital requirements established by the Cayman Islands Monetary Authority (CIMA). Failure to meet minimum regulatory capital requirements can initiate certain actions by CIMA that, if undertaken, could have a direct material effect on the indirect subsidiary's financial statements. Under capital adequacy guidelines used by CIMA, the indirect subsidiary must meet specific capital guidelines that involve quantitative measures of its assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The indirect subsidiary's regulatory capital amounts and classification are also subject to qualitative judgements by CIMA about components and risk weightings.

As at March 31, 2023 and 2022, the indirect subsidiary's regulatory capital amount and its risk asset ratio, as well as CIMA's minimum requirements are presented in the following table:

	Actual	2023 minimum for regulatory capital and capital adequacy purposes	Actual	2022 minimum for regulatory capital and capital adequacy purposes
Regulatory capital (CI$)	4,871,289	2,891,052	6,113,875	2,374,411
Risk asset ratio	29%	15%	37%	15%
Liquidity ratio	10%	10%	29%	10%

Money transmission services indirect subsidiaries

The Bank of Jamaica requires the indirect subsidiary to maintain a net worth of US$0.01 million or its equivalent in Jamaica dollars. The indirect subsidiary group's and company's net worth as at March 31, 2023 amounted to the Jamaican equivalent of US$19.87 million (2022: US$24.73 million) and US$5.45 million (2022: US$6.88 million), respectively.

CIMA requires one of the indirect subsidiaries to maintain a net worth of CI$0.03million (2022:CI$0.03 million). Its net worth as at March 31, 2023 amounted to CI$4.06 million (2022: CI$5.48 million).

The regulatory capital requirement for the indirect subsidiary registered in The United States of America (USA) is described at note 8(iv).

The Financial Conduct Authority requires a United Kingdom indirect subsidiary to maintain a net worth of €0.14million. The indirect subsidiary's net worth as at March 31, 2023 amounted to €0.62 million or £0.63 million (2022: €1.14 million or £0.98 million).

39. Financial risk management (continued)

(f) Capital management (continued):

Regulatory capital (continued)

Money transmission services indirect subsidiaries (continued)

An indirect subsidiary, which is regulated by the Financial Transactions and Report Analysis Centre of Canada, is not subject to any externally imposed capital requirements.

There has been no change during the year in the manner in which capital is managed within the Group.

40. 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 Group determines fair values using other valuation techniques as detailed in note 45(b).

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

Loans, after allowance for impairment losses and corporate bonds are carried at amortised cost, which is considered broadly equivalent to expected settlement value.

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.

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

(a) Accounting classifications and fair values:

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

40. Fair value of financial instruments (continued)

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

	Group 2023								
	Carrying amount					Fair value			
	Amortised cost	Fair value through other comprehensive income	Fair value through profit or loss	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets measured at fair value:									
Corporate and sovereign (other than GOJ) bonds	-	13,030,479	-	-	13,030,479	-	13,030,479	-	13,030,479
Quoted equities	-	275,222	447,198	-	722,420	722,420	-	-	722,420
Unquoted equities	-	19,608	-	-	19,608	-	19,608	-	19,608
Government of Jamaica securities	-	58,364,708	-	-	58,364,708	-	58,364,708	-	58,364,708
Treasury bills	-	6,378,962	-	-	6,378,962	-	6,378,962	-	6,378,962
Mutual funds	-	-	268,610	-	268,610	-	268,610	-	268,610
Promissory note	-	49,829	-	-	49,829	-	49,829	-	49,829
	-	78,118,808	715,808	-	78,834,616	722,420	78,112,196	-	78,834,616
Financial assets not measured at fair value:									
Cash resources	30,930,967	-	-	-	30,930,967	-	30,930,967	-	30,930,967
Securities purchased under resale agreements	3,362,873	-	-	-	3,362,873	-	6,271,859	-	6,271,859
Investments	92,035,688	-	-	-	92,035,688	-	92,035,688	-	92,035,688
Loans	143,763,378	-	-	-	143,763,378	-	-	143,763,378	143,763,378
Other assets	9,937,301	-	-	-	9,937,301	-	-	9,937,301	9,937,301
Total financial assets	280,030,207	-	-	-	280,030,207	-	129,238,514	153,700,679	282,939,193

THE JAMAICA NATIONAL GROUP LIMITED
(A company limited by guarantee with share capital)

Notes to the Financial Statements (Continued)
March 31, 2023

40 Fair value of financial instruments (continued)

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

	Group 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 $'000
Financial liabilities not measured at fair value:									
Bank overdraft	-	-	-	39,564	39,564	-	-	39,564	39,564
Due to specialised financial institutions	-	-	-	2,441,461	2,441,461	-	-	2,441,461	2,441,461
Customer deposits	-	-	-	201,817,130	201,817,130	-	-	201,817,130	201,817,130
Due to related entities	-	-	-	157,242	157,242	-	-	157,242	157,242
Securities sold under repurchase agreements	-	-	-	30,383,059	30,383,059	-	-	30,383,059	30,383,059
Other payables	-	-	-	9,361,501	9,361,501	-	-	9,361,501	9,361,501
Margin loan payable	-	-	-	2,086,716	2,086,716	-	-	2,086,716	2,086,716
Long-term loan	-	-	-	7,099,860	7,099,860	-	-	7,099,860	7,099,860
Lease liability	-	-	-	1,239,190	1,239,190	-	-	1,239,190	1,239,190
	-	-	-	254,625,723	254,625,723	-	-	254,625,723	254,625,723

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

	2022								
	Carrying amount					Fair value			
	Amortised cost $'000	Fair value through other comprehensive income $'000	Fair value through profit or loss $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets measured at fair value:									
Corporate and sovereign (other than GOJ) bonds	-	16,972,813	-	-	16,972,813	-	16,972,813	-	16,972,813
Quoted equities	-	275,721	1,458,488	-	1,734,209	1,734,209	-	-	1,734,209
Unquoted equities	-	19,608	-	-	19,608	-	19,608	-	19,608
Government of Jamaica securities	-	58,737,996	-	-	58,737,996	-	58,737,996	-	58,737,996
Treasury bills	-	7,696,213	-	-	7,696,213	-	7,696,213	-	7,696,213
Mutual funds	-	-	333,032	-	333,032	-	333,032	-	333,032
Promissory note	-	50,204	-	-	50,204	-	50,204	-	50,204
	-	83,752,555	1,791,520	-	85,544,075	1,734,209	83,809,866	-	85,544,075

40 Fair value of financial instruments (continued)

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

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

	Group 2022								
	Carrying amount					Fair value			
	Amortised cost	Fair value through other comprehensive income	Fair value through profit or loss	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets not measured at fair value:									
Cash resources	33,349,683	-	-	-	33,349,683	-	33,349,683	-	33,349,683
Securities purchased under resale agreements	14,707,855	-	-	-	14,707,855	-	18,371,424	-	18,371,424
Investments	99,808,678	-	-	-	99,808,678	-	99,808,678	-	99,808,678
Loans	130,244,283	-	-	-	130,244,283	-	-	130,244,283	130,244,283
Other assets	7,334,241	-	-	-	7,334,241	-	-	7,334,241	7,334,241
Due from related parties	-	-	-	-	-	-	-	-	-
Total financial assets	285,444,740	-	-	-	285,444,740	-	151,529,785	137,578,524	289,108,309
Financial liabilities not measured at fair value:									
Bank overdraft	-	-	-	404	404	-	-	404	404
Due to specialised financial institutions	-	-	-	4,278,683	4,278,683	-	-	4,278,683	4,278,683
Customer deposits	-	-	-	193,283,773	193,283,773	-	-	193,283,773	193,283,773
Due to related entities	-	-	-	154,540	154,540	-	-	154,540	154,540
Securities sold under repurchase agreements	-	-	-	34,733,613	34,733,613	-	-	34,733,613	34,733,613
Other payables				8,386,285	8,386,285	-	-	8,386,285	8,386,285
Long-term loan	-	-	-	12,349,726	12,349,726	-	-	12,349,726	12,349,726
Lease liability	-	-	-	1,200,050	1,200,050	-	-	1,200,050	1,200,050
	-	-	-	254,387,074	254,387,074	-	-	254,387,074	254,387,074

40. 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 GOJ securities, sovereign and corporate bonds	• Obtain bid price provided by a recognised broker/dealer. • Apply price to estimate fair value.
J$ denominated securities issued or guaranteed by GOJ	• Obtain bid price provided by a recognised pricing source (which uses Jamaica-market-supplied indicative bids). • Apply price to estimate fair value.
Units in mutual funds	• Obtain net asset value (NAV) per unit published by Fund Manager. • Apply price to estimate fair value.
Unquoted equities	• Price obtained from third party valuations. • Apply price to estimate fair value.
Promissory note	• Obtain bid price provided by a recognised pricing source (which uses Jamaica-market-supplied indicative bids). • Apply price to estimate fair value
Foreign exchange forward contracts	• Obtain forward foreign exchange rates. • Apply rates to estimate fair value.

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

41. Insurance risk management

Risk management objectives and policies for mitigating insurance risk:

The Group's management of insurance and financial risk is a critical aspect of the business.

The primary insurance activity carried out by the Group is the transfer of risk from persons or entities that are directly subject to the risk, by means of the sale of insurance policies. As such, the Group is exposed to uncertainty surrounding the timing, frequency and severity of claims under these policies.

The principal types of policies written by the Group are:

Liability insurance
Property insurance
Motor insurance
Life insurance

41. Insurance risk management (continued)

(a) Underwriting policy:

The Group manages insurance risk through its underwriting policy that includes, *inter alia,* authority limits, approval procedures for transactions that exceed set limits, pricing guidelines and the centralised management of reinsurance.

The underwriting strategy for the life insurance indirect subsidiary includes the use of a medical questionnaire with benefits limited to reflect the health condition of applicants.

The Group actively monitors insurance risk exposures both for individual and portfolio types of risks. These methods include internal risk measurement, portfolio modelling and analyses.

The Group seeks to underwrite a balanced portfolio of risks at rates and on terms that will produce an underwriting result consistent with its long-term objectives.

The Board of Directors approves the underwriting strategy which is set out in an annual business plan and management is responsible for the attainment of the established objectives.

(b) Reinsurance strategy:

The Group reinsures a portion of the risks it underwrites in order to protect capital resources and to limit its exposure to variations in the projected frequency and severity of losses.

Ceded reinsurance results in credit risk. The Group manages reinsurance risk by selecting reinsurers which have established capability to meet their contractual obligations and which generally have favourable credit ratings as determined by a reputable rating agency. The Group monitors the financial condition of reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically. The Board of Directors is responsible for setting the minimum security criteria for accepting reinsurance and monitoring the purchase of reinsurance against those criteria and for monitoring its adequacy on an ongoing basis. Concentration of insurance risks is discussed in more detail in note 42.

(c) Terms and conditions of general and life insurance contracts:

The table below provides an overview of the terms and conditions of general and life insurance contracts written by the Group and the key factors upon which the timing and uncertainty of future cash flows of these contracts depend:

Type of contract	**Terms and conditions**	**Key factors affecting future cash flows**
Liability	Under these contracts, compensation is paid for injury suffered by individuals, including employees or members of the public. The main liability exposures are in relation to bodily injury.	The timing of claim reporting and settlement is a function of factors such as the nature of the coverage and the policy provisions. The majority of bodily injury claims have a relatively long tail. In general, these claims involve higher estimation uncertainty.

41. Insurance risk management (continued)

(c) Terms and conditions of general and life insurance contracts (continued):

Type of contract	Terms and conditions	Key factors affecting future cash flows
Property	Property insurance indemnifies, subject to any limits or excesses, the policyholder against the loss or damage to their own material property and business interruption arising from this damage.	The risk on any policy varies according to many factors such as location, safety measures in place and the age of the property. The event giving rise to a claim for damage to buildings or contents usually occurs suddenly (as for fire and burglary) and the cause is easily determinable. Therefore, claims are generally notified promptly and can be settled without delay. Property business is therefore classified as "short-tailed" and expense deterioration and investment return are of less importance in estimating provisions. The cost of repairing or rebuilding assets, of replacement or indemnity for contents and the time taken to restart or resume operations to original levels for business interruption losses are the key factors influencing the level of claims under these policies.
Motor	Motor insurance contracts provide cover in respect of policyholders' motor vehicles and their liability to third parties in respect of damage to property and bodily injury. The exposure on motor insurance contracts is normally limited to the replacement value of the vehicle and a policy limit in respect of third party damage.	In general, claims reporting lags are minor and claim complexity is relatively low. The frequency of claims is affected by excessive speeding, the deteriorating condition of the road network, failure by some motorists to obey traffic signals and the road code and an overall increase in the incidence of motor vehicle accidents. The number of claims is also correlated with economic activity, which also affects the amount of traffic activity. The bodily injury claims have a relatively long tail. In general, these claims involve higher estimation uncertainty.

41. Insurance risk management (continued)

(c) Terms and conditions of general and life insurance contracts (continued):

Type of contract	Terms and conditions	Key factors affecting future cash flows
Life	Life insurance contracts insure human life for death, critical illness or permanent disability over short and long duration. Short-duration life insurance contracts protect the indirect subsidiary's customer from the consequence of events such as death or disability that would affect the ability of the customer or his/her dependents to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policy-holder. There are no maturity or surrender benefits.	For the contracts where death is the insured risk, the most significant factors that could increase the overall frequency and severity of claims are epidemics (such as AIDS) and wide-ranging lifestyle changes such as eating, smoking and exercise habits resulting in earlier or more claims than expected.

Liability contracts:

Risks arising from liability insurance are managed primarily through pricing, product design, risk selection, rating and reinsurance. The Group monitors and reacts to changes in the general economic and commercial environment in which it operates to ensure that only liability risks which meet its criteria for profitability are underwritten.

Property contracts:

The risks relating to property contracts are managed primarily through the pricing process. The Group reprices each contract to reflect the continually evolving risk profile. The Group uses strict underwriting criteria to ensure that the risk of losses is acceptable.

Motor contracts:

The risks relating to motor contracts are managed primarily through the pricing process. The Group monitors and reacts to changes in trends of injury awards, litigation and the frequency of claims.

41. Insurance risk management (continued)

(d) Risk exposure and concentrations of risk:

The following table shows the Group's exposure to general insurance risk (based on the carrying value of claim provisions at December 31, 2022 per major category of business).

	Liability $'000	Property $'000	Motor $'000	Other $'000	Total $'000
December 31, 2022					
Gross	485,192	154,412	3,219,783	36,720	3,896,107
Net of reinsurance	463,826	28,116	3,170,695	16,824	3,679,461
At December 31, 2021					
Gross	327,772	126,688	2,396,113	22,618	2,873,191
Net of reinsurance	255,928	28,210	2,361,464	11,529	2,657,131

(e) Claims development for general insurance:

Claims development information is disclosed in the table below in order to illustrate the insurance risk inherent in the Group. The top part of the table shows how the estimates of total claims for each accident year developed over time. The estimates are increased or decreased as losses are paid and more information becomes known about the severity of unpaid claims. The lower part of the table provides a reconciliation of the total provision included in the statement of financial position and the estimate of cumulative claims.

Analysis of net claims development:

	Accident year						
	2017 and prior $'000	2018 $'000	2019 $'000	2020 $'000	2021 $'000	2022 $'000	Total $'000
Estimate of cumulative claims at end of accident year	1,842,471	1,102,581	1,144,693	1,285,627	1,380,239	1,994,326	-
- one year later	1,803,701	1,080,901	1,227,747	1,326,686	1,576,524	-	-
- two years later	1,932,070	1,198,953	1,350,194	1,371,224	-	-	-
- three years later	2,214,631	1,272,911	1,457,550	-	-	-	-
- four years later	2,413,839	1,339,126	-	-	-	-	-
- five years later	2,625,171	-	-	-	-	-	-
Estimate of cumulative claims	2,625,171	1,339,126	1,457,550	1,371,224	1,576,524	1,994,326	10,363,921
Cumulative payments	(1,963,093)	(1,088,123)	(1,107,777)	(930,679)	(962,167)	(632,621)	(6,684,460)
Net outstanding liabilities	662,078	251,003	349,773	440,545	614,357	1,361,705	3,679,461

41. Insurance risk management (continued)

(f) Reinsurance limits:

(i) The Group has property catastrophe reinsurance up to a maximum of $71.24 billion (2021: $66.63 billion) of which the Property and Condominium Strata Quota Share is $57.70 billion (2021: $54.18 billion), Engineering Quota Share and surplus is $6.89 billion (2021: $6.25 billion) and Catastrophe Excess of Losses $6.64 billion (2021: $6.20 billion) per event under which it is liable for the first $150 million (2021: $250 million) of losses in accordance with the terms of the treaty. Motor catastrophe reinsurance cover is US$17.50 million (2021: US$17.50 million) per event. The Group limits its net exposure to a maximum amount on any one risk (property and engineering) or loss (the other classes) of US$0.9 million (2021: US$0.9 million) for property claims; US$0.09 million (2021: US$0.06 million) on contractors all risks and other engineering exposures; $27. million on performance, tender and mobilisation bonds; $10 million on motor, personal accident, public and employer's liability and fidelity bonds; and $5 million on fidelity guarantee bonds for the years ended December 31, 2022 and 2021.

(ii) In the life insurance indirect subsidiary, coverage in excess of retention limits is ceded to reinsurers up to the treaty limit except for a certain bulk creditor life contract which is 100% reinsured. The retention programs used by the Company are summarised below:

Type of insurance contract	Retention limit
Group creditor life contract	JMD 7,500,000; USD 60,000; CAD 75,000; GBP 42,000 of coverage per life insured. Treaty limits apply.
Group life contract	JMD 3,000,000 of coverage per life insured. Treaty limits apply.

(iii) The benefits assured for the Creditor Life policies, distributed by retained amounts and by reinsured amounts at December 31 are shown below:

	Group					
	2022			2021		
Band	Total amount	Total amount reinsured	Total amount retained	Total amount	Total amount reinsured	Total amount retained
$'000	$'000	$'000	$'000	$'000	$'000	$'000
0 - 1,000	12,696	25	12,671	9,243	202	9,041
1,000 - 2,000	11,189	29	11,160	7,377	407	6,970
2,000 - 5,000	40,303	971	39,332	22,208	1,645	20,563
5,000 - 10,000	30,157	6,732	23,425	38,362	4,154	34,208
10,000 and over	30,408	19,235	11,173	34,452	16,470	17,982
	124,753	26,992	97,761	111,642	22,878	88,764

42. Concentration of insurance risks

A key aspect of the insurance risk faced by the Group is the extent of concentration of insurance risk which may exist where a particular event or series of events could impact significantly upon its liabilities. Such concentration may arise from a single insurance contract or through a portfolio of related contracts.

The main concentration risk to which the Group is exposed is natural disasters. By their nature, the timing and frequency of these events are uncertain. They represent a significant risk to the Group because the occurrence of an event could have a significantly adverse effect on its cash flows.

The Group's two key methods of managing these risks are as follows:

(a) Firstly, the risk is managed through the establishment of an appropriate underwriting strategy and its implementation by means of the Group's underwriting policy [note 41(a)].

(b) Secondly, the risk is managed through the use of reinsurance [note 41(b)]. The Group arranges proportional reinsurance at the risk level and purchases excess of loss cover for liability and property business. The Group assesses the costs and benefits associated with the reinsurance programme on a regular basis.

43. Commitments

(a) At March 31, 2023 the Group had:

(i) Undisbursed approved loans of approximately $12.04 billion (2022: $10.14 billion).

(ii) Capital commitments for capital expenditure approved and contracted for was $37.36 million (2022: $233.52 million).

(iii) Sponsorship commitments for sponsorship expenditures amounted to $79.50 million (2022: $45.00 million).

(b) The Company has pledged its commitment to provide financial support, if required, to fund the activities of one (2022: two) of its indirect subsidiaries for a period of 12 months from the dates of signing of the financial statements.

(c) JNFG has pledged its commitment to provide financial support to fund the activities of one (2022: one) of its subsidiaries. The commitment includes total capital injection, up to June 2024, of £18.5 million (2022: £11.0 million) for its foreign banking subsidiary [note 47(b)].

44. Contingent liabilities

(i) There are several claims which have been brought against the Group in respect of damages for alleged breach of contract and other matters. It is the opinion of the directors, on the advice of the Group's Legal Counsel, that, in the unlikely event that these claims are successful, liability would not be significant.

44. Contingent liabilities (continued)

(ii) In the ordinary course of business, the general insurance indirect subsidiary seeks to reduce the loss that may result from catastrophe or other events that cause unfavourable underwriting results by reinsuring certain levels of risk with other insurers. These reinsurers are chosen based on their international rating, with no one reinsurer accounting for more than 15% of the indirect subsidiary's aggregates. Reinsurance ceded does not discharge the indirect subsidiary's liability as the principal insurer. Failure of reinsurers to honour their obligation could result in losses to the Group. Consequently, a contingent liability exists inasmuch as an assuming reinsurer may be unable to meet its obligations.

45. Significant accounting policies

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

(a) Financial assets and financial liabilities:

(i) Recognition and initial measurement

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

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

The transaction price is usually the best evidence of fair value at initial recognition, represented by the fair value of the consideration given or received in exchange for the financial instrument.

If the Group determines that the fair value differs from the transaction price, the financial instrument is nevertheless recorded at initial recognition at fair value and the difference between the transaction price and fair value is a Day 1 gain or loss, accounted for in a manner that is based on the level in the hierarchy that the fair value falls, that is:

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

45. Significant accounting policies (continued)

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

(i) Recognition and initial measurement (continued)

2) When 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 for which any unobservable inputs are judged to be insignificant in relation to the difference, the difference is deferred and the timing of recognition of the deferred Day 1 gain or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

(ii) Classification and subsequent measurement

A. Financial assets

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

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

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

1) Debt instruments

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

Classification and subsequent measurement of debt instruments depend on:

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

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

- *Amortised cost*: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 39(b). Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

45. Significant accounting policies (continued)

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

(ii) Classification and subsequent measurement (continued)

A. Financial assets (continued)

1) Debt instruments (continued)

- *Fair value through other comprehensive income (FVOCI)*: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses on the instrument's amortised cost, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Net gains/(losses) on derecognition of financial assets measured at amortised cost'. Interest income from these financial assets is included in 'interest income' using the effective interest rate method.

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

Assessment of business model: the business model reflects how the Group manages the assets in order to generate cash flows. The measurement category (from the three above) that the Group selects for a particular debt instrument depends on the business model applicable to that instrument. There are three business models, namely, 'hold to collect', 'hold to collect and sell' and 'other'. The Group determines whether its objective is solely to collect the contractual cash flows from the assets or it is to collect both the contractual cash flows and cash flows arising from the sale of the assets.

45. Significant accounting policies (continued)

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

(ii) Classification and subsequent measurement (continued)

A. Financial assets (continued)

1) Debt instruments (continued)

Assessment of business model (continued):

If neither of these is applicable, (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

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

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

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

The Group reclassifies debt instruments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent.

45. Significant accounting policies (continued)

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

(ii) Classification and subsequent measurement (continued)

A. Financial assets (continued)

2) Equity instruments

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

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

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

B. Financial liabilities

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

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

45. Significant accounting policies (continued)

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

(iii) Measurement methods

Amortised cost and effective interest rate

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

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts, fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired ('POCI') financial assets - assets that are credit-impaired [see definition at note 39(b)(ii)] at initial recognition - the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial asset 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.

(iv) 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 (which may apply on a modification [see (a)(v)below], or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

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 Group is recognised as a separate asset or liability.

45. Significant accounting policies (continued)

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

(iv) Derecognition of financial assets and financial liabilities (continued)

Where the Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them (as in the cases of securities lending and sale-and-repurchase transactions), the transferred assets are not derecognised.

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

1) has no obligation to make payments unless it collects equivalent amounts from the assets;

2) is prohibited from selling or pledging the assets; and

3) has an obligation to remit any cash it collects from the assets without material delay.

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

Financial liabilities

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

(v) Modification of financial assets and financial liabilities

Financial assets

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

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cashflows to amounts the borrower is expected to be able to pay.

45. Significant accounting policies (continued)

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

(v) Modification of financial assets and financial liabilities (continued)

Financial assets (continued):

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

- 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 Group derecognises the original financial asset [see (a)(iv) above] 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 Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

45. Significant accounting policies (continued)

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

(v) Modification of financial assets and financial liabilities (continued)

Financial assets (continued)

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

Financial liabilities

The Group 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.

(vi) Identification and measurement of impairment

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

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

Note 39(b)(ii)B(6) provides more details of how the expected credit loss allowance is measured.

45. Significant accounting policies (continued)

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

(vi) Identification and measurement of impairment (continued)

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

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

(vii) Recognition and measurement of 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 Group 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 Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

45. Significant accounting policies (continued)

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

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

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

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price, that difference is accounted for as described in note 45(a)(i).

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

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk and that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

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

(c) Basis of consolidation:

[i] Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain or bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities, in which case they are deducted from the proceeds.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts, generally, are recognised in profit or loss.

45. Significant accounting policies (continued)

(c) Basis of consolidation (continued):

[i] Business combinations (continued)

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain or bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities, in which case they are deducted from the proceeds.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts, generally, are recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in fair value of the contingent consideration are recognised in profit or loss.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquired entity; plus
- if the business combination is achieved in stages, the fair value of the pre-existing interest in the acquired entity; less
- the net recognised amount (generally, fair value) of the identifiable assets acquired and liabilities assumed.

[ii] Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The subsidiary companies are listed in note 1 and are referred to as "subsidiaries" or "subsidiary" in the financial statements. The consolidated or Group financial statements comprise the financial results of the Company and its direct and indirect subsidiaries prepared to March 31, except for JN General Insurance Company Limited and JN Life Insurance Company Limited, whose financial statements are prepared to December 31, annually (note 1). Consequently, the consolidated results include the results of these subsidiaries for the year ended December 31, 2022 (2022: December 31, 2021), updated for significant transactions to March 31, 2023 (2022: March 31, 2022), if any.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The financial statements of all entities in the Group have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

45. Significant accounting policies (continued)

(c) Basis of consolidation (continued):

[iii] Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests, even if doing so causes the non-controlling interest to have a deficit balance.

[iv] Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

[v] Interest in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and joint ventures.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interest in associates and joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

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

Book value accounting is used to recognise transfer of investments in associates between investors under common control. The result of the transaction is recognised in equity as arising from a transaction with shareholders. Any difference between the amount paid and the carrying amount of the investee, that is, excess consideration is recognised as an additional investment and any deficit is recorded as dividends received.

45. Significant accounting policies (continued)

(c) Basis of consolidation (continued):

[vi] Jointly controlled operations

A jointly controlled operation is a joint venture carried on by a venturer using its own assets in pursuit of the joint operation. The consolidated financial statements include the assets that the Group controls and the liabilities that it incurs in the course of pursuing the joint operation and expenses that the Group incurs and its share of the income that it earns from the joint operation.

[vii] Transactions eliminated on consolidation

Intra-group balances and transactions, any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(d) Property, plant and equipment:

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses [see note 45(t)]. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item, if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be reliably measured. The cost of day-to-day servicing of property, plant and equipment is recognised in profit or loss as incurred.

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

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

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

The depreciation rates are as follows:

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

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

45. Significant accounting policies (continued)

(e) 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, for reverse repos, 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.

(f) Cash resources:

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

(g) Investment property:

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

(h) Goodwill and other intangible assets:

[i] Goodwill:

Goodwill represents amount arising on acquisition of subsidiaries and other business ventures. It comprises the excess of the cost of the acquisition over the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment. Negative goodwill arising on acquisition is recognised directly in profit or loss.

[ii] Other intangible assets:

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

45. Significant accounting policies (continued)

(h) Goodwill and other intangible assets (continued):

[ii] Other intangible assets (continued):

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.

Amortisation is charged to profit or loss on the straight-line basis over the estimated useful lives of intangible assets, unless such lives are infinite. Goodwill and other intangible assets with an indefinite useful life are systematically tested for impairment at each reporting date. Customer relationships represents the carrying value of acquired customer relationships, primarily for insurance business and is measured at cost less impairment losses. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Trademarks	5 years
Software	3 years
Non-compete agreement	5 years
Licences	7 years
Customer relationships	20 years

[iii] Distribution rights of software:

Distribution rights of software represents expenditure incurred for the exclusive right to distribute the Phoenix software object code to specific territories in South America, the Caribbean and parts of Africa.

Distribution right of software has finite useful life and is measured at cost less accumulated amortisation and any accumulated impairment (see note 17).

[iv] Customer relationships:

Customer relationships represents expenditure incurred to acquire contracts for customers who utilise the Phoenix software in the Caribbean, South America and parts of Africa.

(i) 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 remeasurement are recognised in profit or loss. Once classified as held for sale, property, plant and equipment are no longer depreciated.

(j) Other assets:

Other assets are measured at amortised cost less impairment losses.

45. Significant accounting policies (continued)

(k) Employee benefits:

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

The Group 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 Group has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be estimated reliably.

[ii] Defined-contribution plans:

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

[iii] Defined-benefit plans:

Employee benefits, comprising post-employment obligations included in the financial statements, have been actuarially determined by a qualified independent actuary appointed by management, using the projected unit credit method. The actuary's report outlines the scope of the valuation and the actuary's opinion. The actuarial valuation is conducted in accordance with IAS 19, and the financial statements reflect the Group's post-employment benefit obligations as computed by the actuary. In carrying out their audit, the auditors rely on the actuary's report.

The defined-benefit plan provides benefits for retired employees of the Jamaica National group entities. In the financial statements of the sponsor (JN Bank) and the Group, 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 JN Bank.

45. Significant accounting policies (continued)

(k) Employee benefits (continued):

[iii] Defined-benefit plans (continued):

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

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

[iv] Other long-term employee benefits:

The Group's net obligation in respect of long-term employee benefits is the amount of future benefits that employees have earned in return for their services in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

[v] Termination benefits:

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises cost for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

(l) 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.

45. Significant accounting policies (continued)

(m) Contingencies:

The Group recognises a contingent liability in the financial statements when it is probable that a future event confirming the existence of a liability at the reporting date will occur and the amount of economic benefit required to settle it is reasonably estimable. When the Group has a possible obligation (where it is yet to be confirmed whether an outflow of economic benefits will occur) or where the Group has a present obligation but it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability unless the probability of outflow of economic benefits is remote. Contingent assets are not recognised in the financial statements but are disclosed when an inflow of economic benefits is probable.

(n) Insurance contract recognition and measurement:

[i] Insurance contracts:

Insurance contracts are accounted for in compliance with the recommendations and practices of the insurance industry, and comply with the provisions of the Insurance Act 2001.

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. The Group defines insurance risk as significant if an insured event could cause an insurer to pay significant additional benefits in a scenario that has a discernible effect on the economics of the transaction.

For the life insurance indirect subsidiary, the insurance contracts insure human life for death or permanent disability over short and long durations. These life insurance contracts protect the indirect subsidiary's customer from the consequence of events such as death or disability that would affect the ability of the customer or his/her dependents to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policy holder. There are no maturity or surrender benefits.

The underwriting results are determined after making provision for, inter alia, outstanding claims.

Gross written premiums

For the general insurance indirect subsidiary, gross premiums reflect business written during the year, and include adjustments to premiums written in previous years. The earned portion of premiums is recognised as revenue. Premiums are earned from the effective date of the policy.

For the life insurance indirect subsidiary, gross premiums are recognised as revenue when due. When premiums are recognised, the related actuarial liabilities are computed, resulting in benefits and expenses being matched with revenue.

45. Significant accounting policies (continued)

(n) Insurance contract recognition and measurement (continued):

[i] Insurance contracts (continued):

Unearned premiums

Unearned premiums represent that proportion of the premiums written up to the reporting date which is attributable to subsequent periods and is calculated on the "twenty-fourths" basis on the total premiums written.

Unexpired risks

Unexpired risks represent the amount set aside, in addition to unearned premiums, in respect of risks to be borne by the indirect subsidiary under contracts of insurance entered into before the end of the financial year and is actuarially determined.

Outstanding claims

Outstanding claims comprise estimates of the amount of reported losses and loss expenses, plus a provision for losses incurred but not reported based on the historical experience of the indirect subsidiaries involved. The loss and loss expense reserves have been reviewed by the indirect subsidiary's actuary using the past loss experience of the indirect subsidiaries and industry data. Amounts recoverable in respect of claims from reinsurers are estimated in a manner consistent with the underlying liabilities.

Management believes that, based on the analysis completed by the actuary, the provision for outstanding losses and loss expenses will be adequate to cover the ultimate net cost of losses incurred up to the reporting date. However, the provision is an estimate and may, ultimately, be settled for a significantly greater or lesser amount. Any subsequent differences arising are recorded in the period in which they are determined.

Deferred acquisition cost and deferred commission income

Commission income and expense are deferred on a basis consistent with that used for deferring premium income.

[ii] Reinsurance assets:

In the ordinary course of business, the indirect subsidiaries seek to reduce the loss that may result from catastrophe or other events that cause unfavourable underwriting results by reinsuring certain levels of risk with other insurers. Reinsurance ceded does not discharge the indirect subsidiaries' liability as the principal insurer. Failure of reinsurers to honour their obligations could result in losses to the subsidiaries and the Group. Consequently, a contingent liability exists inasmuch as an assuming reinsurer may be unable to meet its obligations [see note 44(ii)].

45. **Significant accounting policies (continued)**

(n) Insurance contract recognition and measurement (continued):

[ii] Reinsurance assets (continued):

Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with reinsured policies. Unearned reinsurance premiums on business ceded up to the reporting date, which are attributable to subsequent periods, are calculated substantially on the “twenty-fourths” basis on the total premiums ceded.

Reinsurance assets are assessed for impairment at each reporting date. A reinsurance asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the subsidiaries may not recover all amounts due, and that event has a reliably measurable impact on the amounts that the indirect subsidiaries will receive from the reinsurer. Impairment losses on reinsurance assets are recognised in profit or loss.

[iii] Insurance receivable and insurance payable:

Amounts due from and to policyholders, brokers, agents and reinsurers are financial instruments and are included in insurance receivables and payables and not in insurance contract provisions or reinsurance assets.

(o) Other payables:

Other payables are measured at amortised cost.

(p) Taxation:

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

[i] Current income tax:

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

[ii] Deferred income tax:

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

45. Significant accounting policies (continued)

(p) Taxation (continued):

[ii] Deferred income tax (continued):

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

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

(q) Foreign currencies:

Monetary foreign currency balances at the reporting date are, for the major foreign currencies in which the Group transacts business, translated at the Bank of Jamaica's weighted average rate of US$1.00 = J$150.4386 (2022: J$153.3059), UK£1.00 = J$186.9137 (2022: J$200.4487) and Cdn$1.00 = J$111.9488 (2022: J$123.4115), being the rates of exchange ruling on that date. Other foreign currency balances at the reporting date have been translated using indicative rates provided by the Bank of Jamaica of Euro1.00 = J$166.5808 (2022: J$168.9025) and Cayman Dollar 1.00 = J$184.1097 (2022: J$187.2076). Transactions in foreign currencies are converted at the rates of exchange ruling on the dates of those transactions.

Realised and unrealised gains and losses arising from fluctuations in exchange rates are included in profit or loss, except for differences arising on the re-translation of fair value through other comprehensive income equity investments [note 45(b)] and foreign operations.

For the purpose of consolidating the financial statements of the Group's foreign subsidiaries, each statement of financial position is translated at the closing rate and each statement of profit or loss at the average rate of exchange for the year. Translation differences are recognised in other comprehensive income and presented in the translation reserve in equity [note 29(a)].

45. Significant accounting policies (continued)

(r) Allowance for credit losses:

The allowance for credit losses is maintained at a level considered adequate to provide for expected 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 matters required by IFRS 9 to be taken into account in computing expected credit losses [as set out in note 39(b)], and regulatory guidance provided in the jurisdictions in which the Group operates, 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 allowance 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 Group of adverse economic trends and losses inherent in its portfolio suggest that losses may occur, but such losses cannot be determined on an item-by-item basis. This provision is maintained by an indirect banking subsidiary at levels in excess of the minimum ½% established by the Bank of Jamaica.

IFRS 9 only permits specific loan loss provision and a general provision based upon the Group's actual credit loss experience. It also requires that the expected future cash flows of impaired loans be discounted with any subsequent increase in the present value being reported as interest income. The credit loss allowance required under the Regulations (note 2) that is in excess of the amount computed in accordance with the requirements of IFRS is treated as an appropriation of retained earnings and included in a non-distributable credit loss reserve [note 29(c)].

(s) Interest income and expense:

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

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

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

(t) Impairment of non-financial assets:

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

45. Significant accounting policies (continued)

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

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

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

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

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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

(u) Leases:

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

[i] The Group as a lessee

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

The Group 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.

45. Significant accounting policies (continued)

(u) Leases (continued):

[i] The Group 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 Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group 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 Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group 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 the type of 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;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised 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 Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group 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 Group 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' in the statement of financial position.

45. Significant accounting policies (continued)

(u) Leases (continued):

[ii] The Group as a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Short-term leases and leases of low-value assets

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

(v) 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.

Revenue from membership fees is recognised over the term of the membership. Revenue received in advance is deferred to match the revenue with the future costs associated with providing the service.

Media revenue is recognised when the related advertisement or commercial appears before the public. Production revenue is recognised by reference to the stage of completion of the project.

The accounting policies for the recognition of revenue from insurance contracts in respect of gross premiums written are disclosed in note 45(n)[i].

Reinsurance commission is recognised on a basis that is consistent with the recognition of the costs incurred on the acquisition of the underlying insurance contracts (see note 46(n)[i]). Commission income in respect of reinsurance contracts is recognised on the accrual basis.

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 45(s).

45. Significant accounting policies (continued)

(w) Fees and commission:

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

Type of service	*Nature and timing of satisfaction of performance obligations, including significant payment terms.*	*Revenue recognition under IFRS 15*
Servicing fees	The local indirect banking subsidiary provides administrative services to its customers in respect of service delivery within its branch network. Fees are determined based on the service provided. Performance obligation is satisfied upon completion of delivery of the service.	Revenue from service is recognised over time as the service is provided.
Commission fees	The local indirect banking subsidiary provides services to its clients based on duly executed client agreements. Performance obligation is satisfied and therefore fees earned when agreed services provided to client's satisfaction. 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.
	Other indirect subsidiaries recognise fees and commission as the related services are performed in accordance with agreed terms.	Revenue from fees and commission are recognised when the entity transfers control over a service to a customer.
Money transmitting	Performance obligations are considered satisfied when the indirect subsidiary has transmitted money to the customer, the customer has accepted the service, and collectability of the related receivable is reasonably assured.	Revenue from this service is recognised at the point in time when money is transmitted by the sender.
Mobile top up	Performance obligation is satisfied and therefore fees earned when the indirect subsidiary sells phone credit to customers.	Revenue from mobile top up is recognised at the point when the service is delivered.
Bill payments	Performance obligation is satisfied and therefore fees are earned when the indirect subsidiary transacts bill payment services on behalf of customers.	Revenue is recognised at the point in time that the transactions are completed.

45. Significant accounting policies (continued)

(w) Fees and commission (continued):

Type of service	*Nature and timing of satisfaction of performance obligations, including significant payment terms.*	*Revenue recognition under IFRS 15*
Sale of foreign currency	Performance obligation is satisfied when the currency is delivered to the customer, the customer has accepted the currency and collectability of receivable is reasonably assured.	Revenue from sale of currency is recognised at the point the currency is delivered to the customer.
Syndication fees	Performance obligations satisfied when the syndication services have been provided by the local banking subsidiary to, and accepted by, corporate clients in accordance with the 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.
Administrative fees	The Group's investment indirect subsidiary provides trustee and other administrative services, including physical custody of securities, based on executed client agreements along with the management of members' database and pension contributions. Performance obligation is satisfied, and fees earned when services delivered to, and accepted by, clients in accordance with agreements. Fees are calculated based on a fixed percentage of the value of the assets and are charged quarterly.	Revenue from trustee service is recognised over time as the service is provided.
Asset management fees	The Group's investment indirect subsidiary provides portfolio and investment management services to its clients based on duly executed client agreements. Performance obligation is satisfied, and fees earned when services delivered to, and accepted by, clients in accordance with agreements Fees are charged on a monthly basis at the fixed rates agreed.	Revenue from service fees is recognised over time as the services are provided.
Corporate finance & advisory fees	Performance obligation satisfied when the advisory services are provided by the indirect subsidiary to, and accepted by, its corporate clients in accordance with agreed mandate. Fees are charged based on the nature of the transaction, which varies from client to client, and are paid at the successful execution of each transaction.	Revenue from services is recognised at the successful execution of each transaction.

45. Significant accounting policies (continued)

(w) Fees and commission (continued):

Type of service	*Nature and timing of satisfaction of performance obligations, including significant payment terms.*	*Revenue recognition under IFRS 15 .*
Sale of computer hardware and software	Customers obtain control of goods when the goods are delivered to and accepted by them. Invoices are usually payable within 30 days. Generally, no discounts are provided for the sale of computer hardware and software.	Revenue is recognised at the point in time when the goods are delivered to, and have been accepted by, the customers.
The installation of computer equipment, the provision of computer services and software programming and the provision of network solutions	The sale contract does not permit the customer the right of return, except in instances where the agreed goods were not initially supplied, in which case, if the incorrect item is returned within 7 days, the item is exchanged for the correct item.	Revenue is recognised at the point in time when the performance obligation is met, i.e. the installation of computer equipment, the provision of computer services and software programming and the provision of network solutions complete and delivered to, and accepted by, the customer following their own User Acceptance Testing (UAT).
	Invoices for the installation computer equipment, the provision of computer services and software programming and the provision of network solutions are generated at each milestone as agreed in the contract. Invoiced amounts are not recognised as revenue but are accounted for as deferred revenue until the conditions for revenue recognised are achieved i.e., when the user, after UAT confirms the performance obligation have been satisfied. Some service contracts include an annual maintenance service component. The price of this is quoted separately in the contract and is invoiced to the customer on a monthly basis. Invoices are usually payable within 30 days.	Revenue is recognised as the service is provided, i.e. in equal monthly instalments over the contract service period.

45. Significant accounting policies (continued)

(w) Fees and commission (continued):

Type of service	*Nature and timing of satisfaction of performance obligations, including significant payment terms.*	*Revenue recognition under IFRS 15*
Distribution and maintenance of Phoenix software	Performance obligation satisfied as service is provided in accordance with agreed maintenance schedule. Invoices for the maintenance of the Phoenix Software are generated at the start of the maintenance period and the revenue deferred and recognised each month.	Revenue is recognised as the service is provided, i.e. in equal monthly instalments over the contract service period.
	Revenue related to specific service requests are billed on completion or progressively based on satisfaction of the performance obligation.	Revenue is recognised at the point in time when the performance obligation is met.
Property management fees	An indirect subsidiary provides property management services to certain customers. Performance obligation is satisfied when services are completed for, and accepted by, customers. Fees are charged on a monthly basis and are based on fixed rates agreed.	Revenue from property management fees is recognised over time as the services are provided.
Maintenance income	Performance obligation is met when maintenance services by the indirect subsidiaries are provided to and accepted by tenants, in accordance with the rental agreements. Maintenance fees are billed on a monthly basis and are based on fixed rates agreed.	Revenue from maintenance income is recognised over time as the services are provided.
Membership fee income	An indirect subsidiary charges membership fees to its customers on a yearly basis. These are based on fixed rates agreed.	Revenue from membership fees is recognised over time as the services are provided.
Service income	The Group charges fees to customers for the following services: chauffeur services, driver training and fleet service on a monthly basis based on the terms of contract.	Revenue from service is recognised over time as the services are provided.

45. Significant accounting policies (continued)

(x) New and amended standards and interpretations that are not yet effective:

At the date of authorisation of these financial statements, certain new, revised and amended standards and interpretations were in issue but were not effective at the reporting date and had not been early-adopted by the Group. The Group has assessed them and has determined that the following are likely to be relevant to its operations:

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

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

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

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

  The Group is assessing the impact that the amendment will have on its 2024 financial statements.

- Amendments to IFRS 17, *Insurance Contracts,* effective for annual reporting periods beginning on or after January 1, 2023 provide for the following amendments to the standard:

  - Most companies that issue credit cards and similar products that provide insurance coverage will be able to continue with their existing accounting, unless the insurance coverage is a contractual feature, easing implementation for non-insurers.

  - For loan contracts that meet the definition of insurance but limit the compensation for insured events to the amount otherwise required to settle the policyholder's obligation created by the contract, companies that issue such loans have an option to apply IFRS 9 or IFRS 17, reducing the impact of IFRS 17 for non-insurers.

45. Significant accounting policies (continued)

(x) New and amended standards and interpretations that are not yet effective (continued):

- Amendments to IFRS 17, *Insurance Contracts,* effective for annual reporting periods beginning on or after January 1, 2023 provide for the following amendments to the standard (continued):

  - In measuring the contractual service margin, companies will choose to apply either a ‘period-to-period’ or ‘year-to-date’ approach, allowing greater opportunity for consistency with current practice and for subsidiaries to align reporting with their parent.

  - Revenue and profit emergence will better reflect performance of the wide range of insurance products and the services they provide to customers. Allocating insurance acquisition cash flows to future renewal groups reduces the risk of groups becoming onerous solely from acquisition expenses paid relating to future renewals. The allocation is revised at each reporting period to reflect any changes in assumptions that determine the inputs to the method of allocation used, until all contracts have been added to the group and companies now need to assess each period the recoverability of insurance acquisition cash flow assets usually on a more granular level than applied today.

  - Upon transition, companies may account for acquired contracts before the transition date as liabilities for incurred claims. In many cases, companies will be required to identify and recognise an asset for insurance acquisition cash flows incurred prior to transition. Companies are not required to perform a recoverability assessment for periods prior to transition.

  - In accounting for direct participating contracts, risk mitigation option has been expanded to non-derivative assets at FVTPL and reinsurance contracts held, and extended to provide relief prospectively from the transition date. If a company meets the risk mitigation option criteria before transition, it can now apply the fair value approach to the related contracts at transition. Companies applying both OCI and risk mitigation options together will be able to achieve better matching in the income statement.

  - For reinsurance contracts, companies will be able to offset losses on initial recognition of direct insurance contracts based on a prescribed formula if they are covered by reinsurance contracts held, reducing accounting mismatches.

  - There is relief for companies to present (re)insurance contract assets and liabilities at a portfolio level, instead of at a group level in the statement of financial position, and income taxes specifically charged to policyholders may now be included in fulfilment cash flows, better reflecting local practice in certain jurisdictions.

  The Group is assessing the impact that the amendments will have on its 2024 financial statements.

45. Significant accounting policies (continued)

(x) New and amended standards and interpretations that are not yet effective (continued):

- Amendments to IAS 1, *Presentation of Financial Statements*, will apply retrospectively for annual reporting periods beginning on or after January 1, 2023. The amendments promote consistency in application and clarify the requirements on determining if a liability is current or non-current.

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

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

  The Group does not expect the amendments to have a significant impact on its 2024 financial statements.

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

  The key amendments to IAS 1 include:

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

45. Significant accounting policies (continued)

(x) New and amended standards and interpretations that are not yet effective (continued):

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

  The amendments are consistent with the refined definition of material:

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

  The Group is assessing the impact that the amendments will have on its 2024 financial statements.

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

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

  Developing an accounting estimate includes both:

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

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

  The Group is assessing the impact that the amendments will have on its 2024 financial statements.

- IFRS 17, *Insurance Contracts*, effective for annual reporting periods beginning on or after January 1, 2023 replaces IFRS 4, *Insurance Contracts,* and provides three models to apply to all insurance contracts: the general model, the variable fee approach and the premium allocation approach.

  The key principles in IFRS 17 are that an entity:

  - Identifies insurance contract as those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

45. Significant accounting policies (continued)

(x) New and amended standards and interpretations that are not yet effective (continued):

- **IFRS 17, *Insurance Contracts* (continued)**

Estimated impact of the adoption of IFRS 17 and IFRS 9

The Group is assessing the impact that the initial application of IFRS 17 will have on its financial statements and has established a project team to determine the principles for the recognition, measurement, presentation, and disclosure of insurance contracts and reinsurance contracts within the scope of the new standard. Noting that the transition to IFRS 17 will have a significant impact on financial statement presentations, key performance indicators, financial reporting processes and operations, the project is in its final phase and is near completion. As such, at this time, the actual impact of adopting IFRS 17 cannot be reliably quantified as:

- the Group is undertaking final reviews of transition journal adjustments;
- the Group is continuing to refine the new accounting processes and internal controls required for applying IFRS 17 and IFRS 9;
- the Group has not finalized the testing and assessment of controls over its new IT systems and changes to its governance framework; and
- the new accounting policies, assumptions, judgements and estimation techniques employed are subject to change until the Group finalizes its first financial statements after application of this standard.

i) Identifying contracts in the scope of IFRS 17

The definition of an "insurance contract" in IFRS 17 is similar to the current guidance under IFRS 4. This is assessed on a contract-by-contract basis. Significant insurance risk exists where an insurance contract has commercial substance and the present value of amounts to be paid by the issuer exceeds the amounts that the issuer would have paid if the insured event did not occur.

The requirements for assessing significant insurance risk for reinsurance contracts issued are the same as for insurance contracts. Both general and life insurance subsidiaries issue riders, where the riders and their base contracts will be combined for measurement under IFRS 17.

The Group issues some contracts that cover multiple lives, where many lives are covered under the group policy. For all contracts, the legal contract between the Group and the policyholder will constitute the IFRS 17 contract. The legal contract will be at the group/master contract level as the Group does not issue or price certificates at an individual level.

45. Significant accounting policies (continued)

(x) New and amended standards and interpretations that are not yet effective (continued):

- **IFRS 17, *Insurance Contracts (continued)***:

i) Identifying contracts in the scope of IFRS 17 (continued)

The Group issues insurance contracts and holds reinsurance contracts. The Group also issues reinsurance contracts. No investment contracts with discretionary participation feature (DPF) are issued by the Group. The same contracts considered to be insurance under IFRS 4 continue to be in scope under IFRS 17.

The Group issues financial guarantees which were previously measured under IFRS 4 and will continue to regard these contracts as insurance contracts, measured under IFRS 17.

Separation of components

When identifying contracts in the scope of IFRS 17, in some cases the Group will have to assess whether a set or series of contracts needs to be treated as a single contract and whether embedded derivatives, investment components and goods and services components have to be separated and accounted for under another standard.

The Group does not issue or hold any insurance contracts that contain embedded derivatives.

The Group does not issue or hold any other insurance contracts that contain investment components, except for reinsurance commissions. Reinsurance commissions will not be distinct investment components as they exist solely as part of the reinsurance agreements.

The Group does not issue or hold any insurance contracts that contain goods or non-insurance services, except for roadside assistance on motor contracts. Roadside assistance is highly interrelated with the motor contract and will be measured together with the host contract.

Combination of contracts

It may be necessary to treat a set of contracts as a single contract to properly reflect the economic substance of the agreement. For example, two separate contracts may have opposite obligations and have a fully offset effect when combined, thus resulting in zero (e.g. 100% risk-transfer fronting arrangement) or a lower net liability. Many of the Group's products offer riders, where the rider has its own contract that is embedded into the base contract as a separate section. The riders are priced separately and often protect against a different insurance risk than the base coverage.

45. Significant accounting policies (continued)

(x) New and amended standards and interpretations that are not yet effective (continued):

- **IFRS 17, *Insurance Contracts (continued)***:

i) Identifying contracts in the scope of IFRS 17 (continued)

Combination of contracts (continued)

Only the Group's motor products offer a rider, for excess buyback. All the Group's riders cannot exist without the base motor contract, cannot be purchased on its own, and will terminate on the surrender or cancellation of the base contract. Therefore, the excess rider cannot be separated from the host motor contract.

ii) Levels of aggregation

In comparison to IFRS 4 practices, IFRS 17 intends to provide a more granular grouping of insurance contracts for measurement purposes. IFRS 17 is explicit in the minimum requirements for the grouping of insurance contracts.

Groups of contracts are determined by first identifying portfolios of contracts, each comprising contracts subject to similar risks and managed together. Contracts in different product lines are expected to be in different portfolios. Each portfolio is then divided into annual cohorts (i.e. by year of issue) and each annual cohort into three groups:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the annual cohort.

Furthermore, some groups will further be separated by measurement model.

- Portfolios

  Portfolios are determined based on the group's interpretations of similar risks and managed together. Generally, contracts in different product lines would not be expected to have similar risks and would be expected to be in different portfolios.

  The Group will have three portfolios split by individual and group risk, as the nature of these risks are different, with group risk further separated by measurement model.

- Riders

  The general insurance subsidiary offers riders on motor policies. The excess buyback rider serves the purpose of enhancing the coverage of the motor risk, rather than insuring a new risk. Therefore, the rider does not impact the similar risk categorizations.

45. Significant accounting policies (continued)

(x) New and amended standards and interpretations that are not yet effective (continued):

- **IFRS 17, *Insurance Contracts (continued)***:

ii) Levels of aggregation (continued)

Furthermore, some groups will further be separated by measurement model.

- Reinsurance contracts

IFRS 17 requires reinsurance held to be measured and reported separately from the underlying insurance contracts. Reinsurance contracts have been allocated to one portfolio for the Group.

- Cohort time period

The Group will group contracts using annual cohorts, the maximum length allowable by the Standard. The annual cohorts will be based on calendar year, which is consistent with the insurance subsidiary's fiscal year.

iii) Cash flows and contract boundaries

Under IFRS 17, the measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group. The period covered by the premiums within the contract boundary is the 'coverage period', which is relevant when applying a number of requirements in IFRS 17. The Group expects that the contract boundary will be equal to the coverage period for all contracts.

The Group's contracts begin coverage at issue. At the time of IFRS 17's adoption, the group does not expect to have onerous groups of contracts.

iv) Measurement overview

There are three measurement models under IFRS 17:

- General measurement model (GMM)
- Premium allocation approach (PAA)
- Variable fee approach (VFA)

IFRS 17 introduces a measurement model based on the estimates of the present value of future cash flows that are expected to arise as the group fulfils the contracts, an explicit risk adjustment for non-financial risk and a Contractual Service Margin (CSM).

For an explanation of how the Group will apply the measurement model, see note 45(x)(v) (Measurement using GMM).

The general measurement model (GMM) is the default model for all insurance contracts. By process of elimination, all insurance contracts not identified as PAA or VFA will be measured using the general model.

45. Significant accounting policies (continued)

(x) New and amended standards and interpretations that are not yet effective (continued):

- **IFRS 17, *Insurance Contracts (continued)***:

(iv) Measurement overview (continued)

The Group expects to apply the GMM to individual life contracts and group single premium creditor life, and reinsurance held.

The PAA is an optional simplified measurement model in IFRS 17 that is available for insurance and reinsurance contracts that meet the eligibility criteria. For an explanation of how the Group will apply the PAA, see note 45(x)(v) (Measurement using PAA).

The Group anticipates that its contracts issued and reinsurance contracts held will be eligible for, and will apply, the PAA.

The Group does not offer any insurance contracts or investment contracts with direct participating features that would be measured using the VFA.

Measurement Model	Applicable to the Group
General model	Individual life contracts and group single premium creditor life, and reinsurance held
PAA	Group life contracts, and reinsurance held
VFA	None

v) Measurement

General Measurement Model (GMM)

Under the general model, the default approach, the carrying amount of a group of contracts comprises:

- A liability for remaining coverage ("LRC") – future cash flows relating to future service to be provided, a risk adjustment, and a CSM; and
- A liability for incurred claims ("LIC") – cash flows relating to past service for claims and expenses already incurred, and a risk adjustment.

The CSM of a group of contracts is recognised in profit or loss to reflect services provided in each year, by identifying the coverage units in the group, allocating the CSM remaining at the end of the year (before any allocation) equally to each coverage unit provided in the year and expected to be provided in future years, and recognising in profit or loss the amount of the CSM allocated to coverage units provided in the year. The number of coverage units is the quantity of services provided by the contracts in the group, determined by considering for each contract the quantity of the benefits provided and its expected coverage period. The coverage units will be reviewed and updated at each reporting date.

45. Significant accounting policies (continued)

(x) New and amended standards and interpretations that are not yet effective (continued):

- **IFRS 17, *Insurance Contracts (continued)***:

v) Measurement (continued)

General Measurement Model (GMM) (continued)

The order of CSM adjustments for the Group will be as follows:

- Changes in fulfilment cash flows (FCF) related to future service – Changes in assumptions.
- Impact of new contracts added to the group.
- Accretion of interest.
- Changes in fulfilment cash flows related to future service – Other adjustments.
- Release of CSM as revenue.

For changes in fulfilment cash flows (FCF) related to future service above, the Group will include the following FCF changes in the CSM:

- Changes in non-financial assumptions, including the impact of actual deaths/lapses on non-financial assumptions.
- Variances in premiums.
- Variances in acquisition costs.
- Change in the risk adjustment for non-financial risk related to future service.

The Group expects that the quantity of the benefits provided under each contract is as follows:

Product	Coverage Unit
JN Life Comfort (Whole Life)	Death benefit
JN Life AIDE (CI)	Critical illness benefit
JN Life Family AIDE (Family CI)	Critical illness benefit
JN Life Family Comfort (Family Whole Life & CI)	Death benefit + critical illness benefit
Extendible Term	Death benefit
Creditor Life Protection Policy (Bulk Premium) – Single Premium	Balance of covered insured loan
JN Life Comfort – Accidental death and dismemberment rider	Death benefit
JN Life Family Comfort – Accident death rider	Death benefit
Extendible Term – Reinsurance	Death benefit ceded

45. Significant accounting policies (continued)

(x) New and amended standards and interpretations that are not yet effective (continued):

- **IFRS 17, *Insurance Contracts (continued)***:

v) Measurement (continued)

The Group holds reinsurance on three Group Life products, which are each measured under the PAA. As such, there is no measurement of reinsurance contracts held under GMM.

Premium Allocation Approach (PAA)

The PAA is a simplification of the general model. The simplification predominantly relates to the LRC, while there are also minor simplifications for the LIC. Although the PAA is only permitted when specific criteria are met, it is optional as the Group may choose to apply the general model instead.

Approach	**Decision**
PAA Eligibility	The Group will apply the PAA to contracts with a coverage period of one year or less. The Group is assessing whether contracts with a coverage period exceeding one year are eligible for the PAA.
PAA LRC	*Premium recognition:* Premiums will be recognised in the LRC when received by the Group, its agents, or its brokers. Broker receivables will be set up in the Statement of financial position and apply IFRS 9. *Revenue recognition:* the Group has analysed past claims experience and did not identify any material non-linear patterns of risk, thus passage of time will be applied. *Expense recognition:* The life insurance indirect subsidiary has elected to expense insurance acquisition cash flows as they are incurred for contracts applying PAA. The general insurance subsidiary has elected to defer the insurance acquisition cash flows for contracts applying PAA and will amortise them on the same basis as revenue recognition. *Financing components:* The Group has determined that there does not exist a significant financing component for all contracts and thus will not accrue interest on the LRC. *Investment components:* The Group has non distinct investment components (NDICs) only for reinsurance held contracts in the form of profit commissions.
PAA LIC	The general insurance indirect subsidiary will discount LIC cash flows for all contracts. The life insurance subsidiary will not discount LIC cash flows, as all claims are expected to be paid within one year.

45. Significant accounting policies (continued)

(x) New and amended standards and interpretations that are not yet effective (continued):

v) Measurement (continued)

PAA for Reinsurance Held

The eligibility criteria to use the PAA for reinsurance held is similar to those for insurance contracts:

a) Each contract in the group of reinsurance contracts held has a coverage period of one year or less; or
b) If the coverage period of a group of reinsurance contracts is greater than one year, the PAA can be used if the results are not materially different from the general model. Additionally, there should not be significant variability expected in the fulfilment cash flows.

The Group has elected to apply PAA for all reinsurance contracts held.

Onerous Contracts

A loss component will be set up for onerous contracts for the Group. A loss-recovery component will be held in the Asset for Remaining Coverage of reinsurance contracts that are reinsuring onerous contracts.

vi) Discounting

The estimates of future cash flows that form the insurance liabilities should be adjusted to reflect the time value of money and other financial risks. This is achieved by discounting the cash flows for both unexpired and expired risks (LRC and LIC).

The Group will use the top-down approach based on Government of Jamaica (GOJ) bonds with adjustments for sovereign risk and liquidity.

vii) Estimates of future cash flows

In estimating future cash flows, the Group will incorporate, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

The estimates of future cash flows will reflect the Group's view of current conditions at the reporting date, as long as the estimates of any relevant market variables are consistent with observable market prices.

45. Significant accounting policies (continued)

(x) New and amended standards and interpretations that are not yet effective (continued):

vii) Estimates of future cash flows (continued)

When estimating future cash flows, the Group will take into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts will not be taken into account until the change in legislation is substantively enacted.

Cash flows within the boundary of a contract are those that relate directly to the fulfilment of the contract, including those for which the Group has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts. Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

viii) Risk adjustment

The risk adjustment is a component of the insurance liability that relates to the non-financial insurance risks, which have been separated from the financial risks as those are reflected in the discount rates. The risk adjustment is a component of the fulfilment cash flows that:

- measures the uncertainty in the insurance cash flows arising from non-financial risks,
- reflects the compensation that an entity requires to be indifferent between the insurance liability which has a range of possible outcomes due to non-financial risk, and an insurance liability if it had fixed cash flows, and
- represents the amount added to the best estimate liability such that the actual outcome will be more than the fulfilment cash flows at a targeted probability level (the confidence level).

The risk adjustment is an explicit balance for each group of contracts, in both the LRC and the LIC. Under the PAA, the LRC is simplified to remove the risk adjustment for profitable business. The table below shows where a risk adjustment is applicable for the Group.

Measurement Model	LRC Risk Adjustment	LIC Risk Adjustment
PAA	None unless onerous	Applicable

The risk adjustment will be produced for each valuation period. To determine the risk adjustment for non-financial risk, the Group will use a confidence level technique which will be produced annually and will be disclosed in the annual financial statements.

45. Significant accounting policies (continued)

(x) New and amended standards and interpretations that are not yet effective (continued):

ix) Presentation and disclosure

IFRS 17 will significantly change how insurance contracts and reinsurance contracts are presented and disclosed in the Group's consolidated financial statements.

Under IFRS 17, portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position. All rights and obligations arising from a portfolio of contracts will be presented on a net basis; therefore, balances such as insurance receivables and payables and policyholder loans will no longer be presented separately. Any assets or liabilities recognised for cash flows arising before the recognition of the related group of contracts (including any assets for insurance acquisition cash flows) will also be presented in the same line item as the related portfolios of contracts.

Under IFRS 17, amounts recognised in the statement of profit or loss and OCI are disaggregated into (a) an insurance service result, comprising insurance revenue and insurance service expenses; and (b) insurance finance income or expenses.

Amounts from reinsurance contracts will be presented separately. The separate presentation of underwriting and financial results under IFRS 17 will provide added transparency about the sources of profits and quality of earnings.

The Group will disclose the quantitative and qualitative information of groups of insurance contracts at the entity level, as this is the nature of insurance business.

IFRS 17 requires extensive new disclosures about amounts recognised in the financial statements, including detailed reconciliations of contracts, effects of newly recognised contracts and disclosures about significant judgements made when applying IFRS 17. There will also be expanded disclosures about the nature and extent of risks from insurance contracts and reinsurance contracts. Disclosures will generally be made at a more granular level than under IFRS 4, providing more transparent information for assessing the effects of contracts on the financial statements.

Insurance service result

For contracts not measured using the PAA, insurance revenue for each year represents the changes in the liabilities for remaining coverage that relate to services for which the group expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows. For contracts measured using the PAA, insurance revenue is recognised based on an allocation of expected premium receipts to each period of coverage, which is based on the passage of time for other contracts.

Expenses that relate directly to the fulfilment of contracts will be recognised in profit or loss as insurance service expenses, generally when they are incurred. Expenses that do not relate directly to the fulfilment of contracts will be presented outside the insurance service result.

45. Significant accounting policies (continued)

(x) New and amended standards and interpretations that are not yet effective (continued):

x) Transition

Changes in accounting policies resulting from the adoption of IFRS 17 will be applied using a full retrospective approach to the extent practicable, except as described below. Under the full retrospective approach, at April 1, 2023 the group will:

- identify, recognize and measure each group of insurance contracts and reinsurance contracts as if IFRS 17 had always been applied;
- identify, recognize and measure any assets for insurance acquisition cash flows as if IFRS 17 had always been applied, except that they will not be tested for recoverability before April 1, 2023;
- derecognize previously reported balances that would not have existed if IFRS 17 had always been applied (including some deferred acquisition costs); and
- recognize any resulting net difference in equity.

The Group has determined that the full retrospective approach can be applied for contracts measured using PAA. This is because the contracts have short contract boundaries, such that data does not need to be retrieved from significantly far in the past. Therefore, the Group will apply the full retrospective approach for all contracts measured using the PAA. For each group of contracts measured using the GMM, there is a choice between:

- Modified retrospective approach: Retrospective approach with a list of allowed simplifications.
- Fair value approach: Based on IFRS 13, which does not require retrospective data.

The Group considered the following when selecting an approach:

- The modified retrospective approach still requires retrospective data, which still brings into question the availability of data where simplifications are not permitted, which introduces operational challenges, complexity and cost.
- The approach selected is likely to result in different levels of CSM at transition. This will impact both shareholders' equity at transition and the release of profit after transition. It is expected that the fair value approach would produce a more moderate CSM and no loss components compared to the modified retrospective approach.

The Group has decided to use the fair value approach for transition for all contracts measured using the GMM.

46. Impact of COVID-19 and Russia/Ukraine war considerations

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

The Group continues to actively monitor and manage risks identified from the global macroeconomic environment due to the Russia/Ukraine war, other external shocks and potential financial market uncertainty or instability in the markets in which the Group operates. The capital of the Company and its subsidiaries has been strengthened to deal with significant market risks arising from these threats.

47. Subsequent events

(a) On May 31, 2023, the Company obtained a $400 million loan to support capital injection in JNFG [note 47(b)], from JN Bank at a rate of 9.5% per annum to be repaid over 5 years.

(b) Injection of capital

On May 31, 2023 and August 31, 2023, JNFG received $379 million and $500 million, respectively, in capital injections from the ultimate parent company, The Jamaica National Group Limited. These amounts, together with internal funding, were used by JNFG to inject capital aggregating £6 million, out of a commitment of £18.5 million up to June 30, 2024 [see note 43(c)], into the foreign banking subsidiary on May 31, 2023 and August 31, 2023, respectively. This resulted in share issuance of 2 ordinary shares at a share premium of £5,999,998 as at these dates. The additional investments subsequent to the year-end were executed in support of the strengthened governance and management framework, changed strategies and business model.

(c) On May 31, 2023 and August 31, 2023, unsecured debt of US$1.3 million and J$100 million, respectively, were issued by a subsidiary to an indirect subsidiary. These facilities bear interest at rates of 2.5% and 11.75%, respectively, and are due for repayment within 12 months.

(d) On September 28, 2023, JN Bank Limited executed a sale and lease back agreement, on certain freehold properties, to raise non-borrowing funding of $4.5 billion under a triple net lease agreement with an independent third party.

JAMAICA NATIONAL GROUP

jngroup.com