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INDEPENDENT AUDITORS' REPORT

To the Member of
JN FINANCIAL GROUP LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the separate financial statements of JN Financial Group Limited ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), set out on pages 5 to 144, which comprise the statements of financial position as at March 31, 2023, the statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the 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 (IFRS) and the Jamaican Companies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the 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 Member of
JN FINANCIAL GROUP LIMITED

Report on the Audit of the Financial Statements (continued)

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS 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 Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Member of
JN FINANCIAL GROUP LIMITED

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):

- 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 Group's and 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.

- 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Member of
JN FINANCIAL GROUP LIMITED

Report on additional matters as required by the Jamaican Companies Act

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

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

KPMG

Chartered Accountants
Kingston, Jamaica

September 29, 2023

JN FINANCIAL GROUP LIMITED

Consolidated Statement of Financial Position
March 31, 2023

	Notes	2023 $'000	2022 $'000
ASSETS			
Cash resources	6, 36(c)	30,738,356	33,107,574
Securities purchased under resale agreements	7	3,376,094	14,716,900
Investments	8, 36(c)	92,017,305	99,769,306
Due from related entities	11, 36(c)	163,731	94,506
Taxation recoverable		1,629,915	1,413,892
Loans, after allowance for impairment losses	10, 36(c)	145,030,914	130,469,962
Other assets	12	8,930,202	6,400,357
Assets held for sale	13	33,467	84,232
Investment property	14	1,118,240	1,048,652
Property, plant and equipment	16	5,112,726	5,147,176
Goodwill and other intangible assets	17	1,520,352	2,369,029
Right-of-use assets	15(i)(a)	830,871	813,792
Deferred tax assets	18	3,914,975	2,678,326
Total assets		294,417,148	298,113,704
LIABILITIES			
Bank overdraft	6(d)	39,564	404
Due to specialised financial institutions		2,441,461	4,278,683
Customer deposits	19, 36(c)	202,871,201	194,214,339
Due to related entities	11, 36(c)	554,187	283,103
Securities sold under repurchase agreements	20, 36(c)	30,394,760	34,745,021
Other payables	21, 36(c)	6,990,992	6,691,624
Margin loan payable	22	2,086,716	-
Taxation payable		264,829	330,105
Lease liabilities	15(i)(b)	950,020	910,046
Employee benefits obligation	23(a)	797,845	1,413,169
Insurance contract provisions	24(a)	7,501,156	6,148,997
Loans payable	25, 36(c)	7,249,631	18,235,668
Total liabilities		262,142,362	267,251,159
EQUITY			
Share capital	26	11,220,495	5,190,495
Reserve fund	27	7,656,668	7,600,000
Contractual savings reserve	28	14,223	14,223
Other reserves	29	4,684,955	6,725,128
Retained earnings		8,667,640	11,284,205
Total equity attributable to equity holder of the Company		32,243,981	30,814,051
Non-controlling interest	30	30,805	48,494
Total equity		32,274,786	30,862,545
Total liabilities and equity		294,417,148	298,113,704

The financial statements on pages 5 to 144 were approved for issue by the Board of Directors on September 29, 2023 and signed on its behalf by:

Elizabeth Ann Jones Director
Elizabeth Jones, CD

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

Director
Dhiru Tanna, PhD

JN FINANCIAL GROUP LIMITED

Company Statement of Financial Position
March 31, 2023

	Notes	2023 $'000	2022 $'000
ASSETS			
Cash resources	6, 36(c)	16,743	20,973
Due from related entities	11, 36(c)	24,751	42,003
Taxation recoverable		1,934	1,281
Interest in subsidiaries	9	18,743,207	11,157,283
Other assets	12	14,849	30,333
Property, plant and equipment	16	2,282	7,466
Goodwill and other intangible assets	17	1,335	2,816
Total assets		18,805,101	11,262,155
LIABILITIES			
Due to related entities	11, 36(c)	249,266	4,060
Other payables	21, 36(c)	129,253	32,272
Loans payable	25, 36(c)	6,862,536	2,579,553
Total liabilities		7,241,055	2,615,885
EQUITY			
Share capital	26	11,220,495	5,190,495
Retained earnings		343,551	3,455,775
Total equity		11,564,046	8,646,270
Total liabilities and equity		18,805,101	11,262,155

The financial statements on pages 5 to 144 were approved for issue by the Board of Directors on September 29, 2023 and signed on its behalf by:

Elizabeth Ann Jones — Director
Elizabeth Jones, CD

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

Dhiru Tanna — Director
Dhiru Tanna, PhD

JN FINANCIAL GROUP LIMITED

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 calculated using the effective interest method:					
Interest on loans	36(d)	12,385,570	11,481,479	-	-
Interest on investments	36(d)	4,401,770	3,499,731	2,616	227
		16,787,340	14,981,210	2,616	227
Interest expense	31, 36(d)	(4,113,667)	(3,042,575)	(475,926)	(201,500)
Net interest income/(expense)		12,673,673	11,938,635	(473,310)	(201,273)
Impairment losses on financial instruments	38(b)(ii)	(2,660,163)	(749,448)	-	-
Impairment losses on investment in subsidiaries	9	-	-	(3,629,576)	-
Unrealised (losses)/gains on fair value through profit or loss (FVTPL) on investment securities		(60,638)	301,643	-	-
Gain on disposal of investments		70,592	804,271	-	-
Other operating income	32, 36(d)	10,856,522	10,502,917	1,527,617	1,724,937
Operating expenses	33, 36(d)	(23,693,161)	(22,438,434)	(536,949)	(320,160)
Operating (loss)/profit		(2,813,175)	359,584	(3,112,218)	1,203,504
Unrealised foreign exchange gains/(losses)		174,429	(132,825)	(6)	4,522
(Loss)/profit before taxation		(2,638,746)	226,759	(3,112,224)	1,208,026
Taxation	34	(387,149)	(392,246)	-	-
(Loss)/profit for the year		(3,025,895)	(165,487)	(3,112,224)	1,208,026
Attributable to:					
Equity holder of the Company		(3,013,392)	(167,420)	(3,112,224)	1,208,026
Non-controlling interest		(12,503)	1,933	-	-
		(3,025,895)	(165,487)	(3,112,224)	1,208,026

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

JN FINANCIAL GROUP LIMITED

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		(3,025,895)	(165,487)	(3,112,224)	1,208,026
Other comprehensive loss:					
Items that are or may be reclassified to profit or loss:					
Exchange differences on translation of foreign subsidiaries' balances		(320,043)	99,188	-	-
Realised gains/(losses) on investments recognised in the statement of profit or loss		71,268	(713,826)	-	-
Decrease in fair value of FVOCI investment securities, net of impairment loss		(2,691,574)	(1,798,075)	-	-
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		(4,617,742)	(1,791,470)	(3,112,224)	1,208,026
Attributable to:					
Equity holder of the Company		(4,604,197)	(1,795,022)	(3,112,224)	1,208,026
Non-controlling interest		(13,545)	3,552	-	-
		(4,617,742)	(1,791,470)	(3,112,224)	1,208,026

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

JN FINANCIAL GROUP LIMITED

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

	Share capital $'000 (note 26)	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 30)	Total equity $'000
Balances at March 31, 2021	5,190,495	7,600,000	14,223	6,613,746	13,340,609	32,759,073	44,966	32,804,039
Total comprehensive (loss)/income for the year:								
Loss for the year	-	-	-	-	(167,420)	(167,420)	1,933	(165,487)
Other comprehensive (loss)/income:								
Exchange differences on translation of foreign subsidiaries' balances	-	-	-	97,426	-	97,426	1,762	99,188
Realised losses on investments recognised in the statement of profit or loss	-	-	-	(713,826)	-	(713,826)	-	(713,826)
Decrease in fair value of FVOCI investment securities, net of impairment losses and deferred tax	-	-	-	(1,054,939)	-	(1,054,939)	(185)	(1,055,124)
Remeasurement of employee benefits obligation, net of deferred tax	-	-	-	-	43,737	43,737	42	43,779
Total other comprehensive (loss)/income	-	-	-	(1,671,339)	43,737	(1,627,602)	1,619	(1,625,983)
Total comprehensive (loss)/income	-	-	-	(1,671,339)	(123,683)	(1,795,022)	3,552	(1,791,470)
Movement between reserves:								
Transfer from credit loss reserve	-	-	-	(51,279)	51,279	-	-	-
Transfer to retained earnings reserve	-	-	-	1,834,000	(1,834,000)	-	-	-
	-	-	-	1,782,721	(1,782,721)	-	-	-
Transaction with owner:								
Dividends (note 45)	-	-	-	-	(150,000)	(150,000)	(24)	(150,024)
Balances at March 31, 2022	5,190,495	7,600,000	14,223	6,725,128	11,284,205	30,814,051	48,494	30,862,545
Total comprehensive loss for the year:								
Loss for the year	-	-	-	-	(3,013,392)	(3,013,392)	(12,503)	(3,025,895)
Other comprehensive income:								
Exchange differences on translation of foreign subsidiaries' balances	-	-	-	(319,287)	-	(319,287)	(756)	(320,043)
Realised gains on investments recognised in the statement of profit or loss	-	-	-	71,268	-	71,268	-	71,268
Decrease in fair value of FVOCI investment securities, net of impairment losses and deferred tax	-	-	-	(1,884,702)	-	(1,884,702)	(538)	(1,885,240)
Remeasurement of employee benefits obligation, net of deferred tax	-	-	-	-	541,916	541,916	252	542,168
Total other comprehensive income	-	-	-	(2,132,721)	541,916	(1,590,805)	(1,042)	(1,591,847)
Total comprehensive loss	-	-	-	(2,132,721)	(2,471,476)	(4,604,197)	(13,545)	(4,617,742)
Movement between reserves:								
Transfer to credit loss reserve	-	-	-	92,548	(92,548)	-	-	-
Transfer to reserve fund	-	56,668	-	-	(56,668)	-	-	-
	-	56,668	-	92,548	(149,216)	-	-	-
Transaction with owner:								
Dividends (note 45)	-	-	-	-	-	-	(17)	(17)
Issue of shares	6,030,000	-	-	-	-	6,030,000	-	6,030,000
Change in NCI	-	-	-	-	4,127	4,127	(4,127)	-
Balances at March 31, 2023	11,220,495	7,656,668	14,223	4,684,955	8,667,640	32,243,981	30,805	32,274,786

JN FINANCIAL GROUP LIMITED

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

	Share capital $'000 (note 26)	Retained earnings $'000	Total $'000
Balances at March 31, 2021	5,190,495	2,397,749	7,588,244
Total comprehensive income for the year:			
Profit for the year, being total comprehensive income	-	1,208,026	1,208,026
Transaction with owners of the Company:			
Dividends (note 45)	-	(150,000)	(150,000)
Balances at March 31, 2022	5,190,495	3,455,775	8,646,270
Total comprehensive income for the year:			
Loss for the year, being total comprehensive losses	-	(3,112,224)	(3,112,224)
Issues of shares	6,030,000	-	6,030,000
Balances at March 31, 2023	11,220,495	343,551	11,564,046

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

JN FINANCIAL GROUP LIMITED

Group Statement of Cash Flows
Year ended March 31, 2023

	Notes	2023 $'000	2022 $'000
Cash flows from operating activities			
Loss for the year		(3,025,895)	(165,487)
Adjustments to reconcile profit to net cash (used in)/provided by operating activities:			
Depreciation – property, plant and equipment	16	471,545	496,183
Depreciation on right-of-use assets	15(i)(a)	288,413	280,383
Amortisation of intangible assets	17	204,834	437,767
Write-off of property, plant and equipment	16	-	5,102
Write-off of intangible assets	17	3,007	19,412
Losses/(gains) on disposal of property, plant and equipment		24,306	(39,765)
Increase in fair value of investment property		(79,499)	(160,735)
Gains on disposal of foreclosed properties		(6,101)	(14,868)
Gains on disposal of investments		(70,592)	(804,271)
(Gain)/losses from foreign exchange rate changes		(670,569)	104,300
Translation differences		44,646	(60,922)
Dividend income	32	(40,897)	(22,620)
Interest income		(16,787,340)	(14,981,210)
Interest expense	31	4,062,567	2,990,596
Interest expense on lease liabilities	15(i),31	51,100	51,979
Current tax expense	34(a)(i)	1,089,843	982,700
Deferred tax credit	34(a)(ii)	(702,693)	(590,454)
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		1,352,160	1,246,225
Impairment losses on financial instruments		2,660,164	749,448
		(10,933,073)	(9,311,388)
Changes in operating assets and liabilities:			
Cash reserves with Bank of Jamaica (BOJ)		450,683	(1,426,713)
Due from related entities		199,236	247,639
Net additions to loans		(17,545,093)	(13,864,355)
Other assets		(2,569,476)	(1,937,706)
Customer deposits		11,220,303	18,598,385
Other payables		319,229	579,659
Margin loan payable		2,086,716	(2,346,923)
Interest received		12,365,430	11,581,125
Interest paid		(4,332,084)	(2,711,776)
Income tax paid		(1,371,144)	(1,926,769)
Net cash used in operating activities (page 12)		(10,109,273)	(2,518,822)

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

JN FINANCIAL GROUP LIMITED

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

	Notes	2023 $'000	2022 $'000
Net cash used in operating activities (page 11)		(10,109,273)	(2,518,822)
Cash flows from investing activities			
Purchase of investments		(9,395,885)	(82,539,642)
Interest received		4,294,404	3,299,587
Dividends received	32	40,897	22,620
Securities purchased under resale agreements		11,265,538	(9,916,099)
Assets held for sale		19,158	-
Acquisition of intangible assets	17	(268,543)	(433,347)
Acquisition of property, plant and equipment	16	(492,840)	(332,126)
Proceeds from sale of assets held for sale		37,708	42,618
Proceeds from disposal of intangibles		889,308	16,385
Proceeds from disposal of property, plant and equipment		16,179	86,248
Proceeds from disposal of investments		13,481,609	74,838,257
Net cash provided by/(used in) investing activities		19,887,533	(14,915,499)
Cash flows from financing activities			
Dividends paid		(17)	(150,024)
Securities sold under repurchase agreements		(4,126,638)	13,072,948
Repayment on lease liabilities	15(i)(d)	(316,618)	(274,088)
Proceeds from specialised financial institutions		(1,453,551)	2,798,279
Repayment to specialised financial institutions		(383,671)	(383,671)
Proceeds from loan liabilities		(18,570)	362,120
Repayment of loan liabilities		(10,967,467)	(3,147,220)
Proceeds from issuance of share capital		6,030,000	-
Net cash (used in)/provided by financing activities		(11,236,532)	12,278,344
Net decrease in cash and cash equivalents		(1,458,272)	(5,155,977)
Cash and cash equivalents at beginning of year		17,930,430	22,488,085
Effects of exchange rate changes on cash and cash equivalents		(492,660)	598,322
Cash and cash equivalents at end of year		15,979,498	17,930,430
Comprised of:			
Cash and cash equivalents	6	16,019,062	17,930,834
Bank overdraft	6, 6(d)	(39,564)	(404)
		15,979,498	17,930,430

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

JN FINANCIAL GROUP LIMITED

Company Statement of Cash Flows
Year ended March 31, 2023

	Notes	2023 $'000	2022 $'000
Cash flows from operating activities			
(Loss)/profit for the year		(3,112,224)	1,208,026
Adjustments to reconcile profit to net cash used in operating activities:			
Interest income		(2,616)	(227)
Dividend income	32	(1,114,556)	(1,429,836)
Depreciation of property, plant and equipment	16	5,659	5,492
Amortisation of intangible assets	17	1,481	1,687
Gain on disposal of property, plant and equipment		-	4,935
Transaction costs on long-term loan		(17,017)	7,867
Impairment losses on investment in subsidiaries	9	3,629,576	-
Interest expense	31	475,926	201,500
		(133,771)	(556)
Due from/(to) related entities		262,458	(165,617)
Other assets		15,484	(18,653)
Other payables		96,981	(5,918)
Interest paid		(475,926)	(201,500)
Interest received		2,616	227
Income tax paid		(653)	(60)
Net cash provided used in operating activities		(232,811)	(392,077)
Cash flows from investing activities			
Dividends received	32	1,114,556	1,429,836
Interest in subsidiary		(11,215,500)	(941,057)
Acquisition of property, plant and equipment	16	(475)	(1,750)
Net cash (used in)/provided by investing activities		(10,101,419)	487,029
Cash flow from financing activities			
Proceeds from issuance of share capital		6,030,000	-
Proceeds from long-term loan		4,300,000	-
Dividends paid	45	-	(150,000)
Net cash provided by/(used in) financing activities		10,330,000	(150,000)
Net decrease in cash and cash equivalents		(4,230)	(55,048)
Cash and cash equivalents at beginning of year		20,973	76,021
Cash and cash equivalents at end of year		16,743	20,973

JN FINANCIAL GROUP LIMITED

Notes to the Financial Statements
March 31, 2023

1. The Company

JN Financial Group Limited ("the Company") was incorporated on August 18, 2016, under the Jamaican Companies Act and is domiciled in Jamaica. The Company is a wholly-owned subsidiary of The Jamaica National Group Limited ("the parent") incorporated in Jamaica. The registered office of the Company and its parent is located at 2-4 Constant Spring Road, Kingston 10.

Its principal activity is that of a financial holding company.

"Group" refers collectively to the Company and its subsidiaries, which are as follows:

Subsidiaries	Country of incorporation	Percentage ownership **2023**	Percentage ownership **2022**	Nature of business
JN Bank Limited	Jamaica	100	100	Banking services.
JN Bank UK Limited	England	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	Jamaica	100	100	Provision of investment services, pension management and administration services, credit facilities and 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 FINANCIAL GROUP LIMITED

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

1. The Company (continued)

"Group" refers collectively to the Company and its subsidiaries, which are as follows (continued):

Subsidiaries (continued)	Country of incorporation	Percentage ownership **2023**	Percentage ownership **2022**	Nature of business
JN Money Services (Cayman) Ltd. [1]	Cayman Islands	80	80	Money transfer services including remittances, bill payments, sale of foreign currency and mobile credit top up.
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 (see note 9).

2. Licence and regulations

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 Market Act 2000 of the United Kingdom and is required to submit its financial statements to the regulators annually.

JN Money Services Limited is licensed under section 22G(2) of the Bank of Jamaica Act and its overseas based subsidiaries, as money transmitters, are licensed in the countries in which they are incorporated. 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 policies are included in note 44.

New and amended standards that became effective during the year:

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

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.

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 at fair value through profit or loss are measured at fair value;
- Financial instruments at fair value through other comprehensive income are measured at fair value;
- The liability for defined-benefit obligations is recognised as the present value of the defined-benefit obligations; and
- Investment property is measured at fair value.

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

(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 44(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 next financial year are as follows:

(i) Post-retirement benefits:

The amounts recognised in the statements of financial position 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 allowance

The measurement of the expected credit loss allowance (ECL) for financial assets measured at amortised cost and fair value through other comprehensive income (FVOCI) requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). The explanation of the inputs, assumptions and estimation techniques used in measuring ECL is detailed in [notes 38(b) and 44(a)].

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

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

Detailed information about the judgements and estimates made by the Group in the above-listed areas is set out in note 38(b).

JN FINANCIAL GROUP LIMITED

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

4. Accounting estimates and judgements (continued)

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

(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 subsidiary companies' actuaries using the companies 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 necessarily 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 40 gives information about the assumptions and uncertainties relating to insurance liabilities and discloses the risk factors in these contracts.

(iv) 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.

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

The residual value and the expected useful lives of an asset are reviewed at least at each reporting period 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.

(vi) Impairment of 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 44 (b).

4. Accounting estimates and judgements (continued)

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

(vii) Measurement of fair values (continued):

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 instruments.

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:

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.

4. Accounting estimates and judgements (continued)

(b) (Continued)

Classification of financial assets (continued):

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.

Impairment of subsidiaries:

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 insurance subsidiaries' policy liabilities and one of the 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 company 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 subsidiaries' actuarially determined policy liabilities, 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 statement of cashflows [see (a)]	16,019,062	17,930,834	16,743	20,973
Restricted cash [see (c)]	93,457	100,220	-	-
	16,112,519	18,031,054	-	-
Cash reserves with Bank of Jamaica [see (b)]	14,625,837	15,076,520	-	-
	30,738,356	33,107,574	16,743	20,973

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

6. Cash resources (continued)

(b) Statutory reserves, required by regulation to be held by JN Bank Limited at Bank of Jamaica ("BOJ"), comprise cash reserves, which are not available for use and are determined by the percentage of average prescribed liabilities stipulated by the BOJ.
At March 31, 2023, the required percentage of the 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 the cash reserve requirement was increased to 6% for Jamaica dollar and 14% for foreign currency, of the average prescribed liabilities, respectively.

(c) The foreign 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 (2022: $8 million), respectively, are held by subsidiaries with a commercial bank. At the reporting date, the amount drawn under the secured overdraft facility was $39.56 million (2022: $0.40 million) and $Nil (2022: $Nil) under the unsecured facility.

7. Securities purchased under resale agreements

	Group	
	2023 $'000	2022 $'000
Principal	3,319,073	14,584,611
Interest receivable	57,021	132,289
	3,376,094	14,716,900

At March 31, 2023, securities obtained and held under resale agreements for the Group had a fair value of $6,285.08 million (2022: $18,380.47 million). The balance is shown net of expected credit losses of $0.51 million (2022: $0.47 million) [see note 38(b)(ii)].

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

	Group	
	2023 $'000	2022 $'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 $'000	2022 $'000
Within 3 months	2,171,823	7,727,699
3 months to 1 year	1,147,250	6,856,912
	3,319,073	14,584,611

JN FINANCIAL GROUP LIMITED

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

8. Investments

	Group 2023 $'000	Group 2022 $'000
Amortised cost		
Treasury bills	7,858,114	1,737,973
Corporate bonds	1,170,675	2,495,670
Certificates of deposit [see (iv), (v) below]	3,079,748	9,123,262
	12,108,537	13,356,905
Less expected credit losses on amortised cost investments [see note 38(b)(ii)].	(28,917)	(31,120)
	12,079,620	13,325,785
Fair value through other comprehensive income		
Corporate and sovereign bonds [see (iv) below]	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	266,399	309,832
	713,597	1,768,320
Sub-total	90,912,025	98,846,660
Interest receivable	1,105,280	922,646
	92,017,305	99,769,306

The movement in expected credit losses on investments measured at amortised cost and FVOCI is as follows:

	Group 2023 $'000	Group 2022 $'000
At beginning of year	295,541	391,743
(Decrease)/increase in allowance [note 38(b)(ii)]:		
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. These shares are classified as fair value through other comprehensive income.

JN FINANCIAL GROUP LIMITED

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

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	1,008,427	2,063,649
Within 3 months	15,176,150	19,284,703
3 months to 1 year	17,191,878	10,308,845
1 year to 5 years	12,270,421	20,042,594
5 years and over	45,294,066	47,177,989
	90,940,942	98,877,780

(iii) Several 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, as a money transmitter, is licensed in the States of New York, Maryland, Connecticut, New Jersey, Georgia, Florida, The District of Columbia, California and Massachusetts, and the regulations require a total minimum net worth of US$3.35 million (2022: US$3.44 million). 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 its provision of remittance services on behalf of an indirect subsidiary and are 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: $43.34 billion).

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

9. Interest in subsidiaries

	Company	
	2023	2022
	$'000	$'000
At beginning of year	11,157,283	10,216,226
Increase in interest in subsidiaries	11,215,500	941,057
Impairment provision	(3,629,576)	-
Balance at end of year	18,743,207	11,157,283

9. Interest in subsidiaries (continued)

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

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

Impairment of subsidiaries:

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, a single CGU identified for assessment being JN Bank UK. The recoverable amount is the higher of fair value less costs to sell (FVLCS) and value in use (VIU) where FVLCS is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal and the VIU being the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

The recoverable amount of the cash-generating unit was computed using a market approach for the purposes of determining the equity value at the valuation date, specifically a P/E ratio and P/B ratio, and taking an average of both methods to provide an indication of fair value. Using projections over a five (5) year period ended 2028, an assessment of maintainable earnings was established on profit after tax for financial year 2027 and 2028 and maintainable book value based on the net assets position at financial year 2027. The profit after taxes was discounted at the cost of equity and applied to selected P/E multiples to determine the equity value of the subsidiary. The P/B multiples were then used to determine an equity value based on the net assets of the subsidiary. Thereafter, an average of the results for both the P/E multiple approach and the P/B multiple approach were used to generate an indicative fair value of the equity of the subsidiary.

The carrying value of the equity investment in a subsidiary exceeded its fair value, as determined using this approach, resulting in an impairment charge of $3.6 billion (2022: $nil) being recognized. Other factors included in the valuation were:

- the nature of the subsidiary, the risks to which it is subject, historical patterns of growth, and future considerations;
- the general economic outlook and the position of the industry in the existing economy;
- the earnings history and earnings capacity of the subsidiary ;
- management's assessment of future growth and performance;

JN FINANCIAL GROUP LIMITED

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

9. Interest in subsidiaries (continued)

Impairment of subsidiaries (continued):

Key assumptions used are as follows:

	2023
Discount rate:	25%
Median price/earnings (P/E) multiple:	4.7
Median price/book (P/B) multiple:	0.7
Cost of disposal range:	3% - 5%

The fair value measurement is categorised as level 3 in the fair value hierarchy.

10. Loans, after allowance for impairment losses

	Group	
	2023	2022
	$'000	$'000
Mortgage loans - principal [see (b) below]	92,734,647	87,331,764
Term loans	11,670,890	12,509,331
Other loans	39,909,400	29,933,030
	144,314,937	129,774,125
Accrued interest	715,977	695,837
	145,030,914	130,469,962

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

	Group	
	2023	2022
	$'000	$'000
Within 3 months	5,838,745	8,991,146
3 months to 1 year	1,619,625	4,185,191
1 year to 5 years	36,234,915	28,980,708
5 years and over	100,621,652	87,617,080
	144,314,937	129,774,125

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

	Group			
	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	379	245	18,134,417	8,733,760
	106,979	83,794	145,030,914	130,469,962

Loans and advances on which interest is no longer accrued [see note 44(s)] amounted to $12,489.12 million (2022: $12,475.44 million) for the Group. This represents 8.29% (2022: 9.32%) of the gross loan portfolio for the Group. These loans are included in the financial statements, net of allowance for losses.

JN FINANCIAL GROUP LIMITED

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

10. Loans, after allowance for impairment losses (continued)

(a) Allowance for losses

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 38(b)(ii)]	2,667,459	841,552
Translation adjustment [note 38(b)(ii)]	(39,326)	15,114
Write-offs during the year [note 38(b)(ii)]	(101,610)	(303,157)
At end of year [note 38(b)(ii)]	5,782,692	3,256,169

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

	Group	
	2023	2022
	$'000	$'000
Specific provision	4,687,922	2,667,149
General provision	1,704,736	1,111,172
	6,392,658	3,778,321

The total expected loss allowance is broken down as follows:

	Group	
	2023	2022
	$'000	$'000
Expected loss allowance per IFRS [note 38(b)(ii)]	5,782,692	3,256,169
Additional allowance based on Bank of Jamaica and other provisioning requirements [note 29(c)]	609,966	522,152
	6,392,658	3,778,321

(b) Mortgage loans

Included in mortgage loans for the Group are balances due from directors and companies controlled by directors amounting to $100.51 million (2022: $104.17 million) and interest receivable on these loans of $6,731 (2022: $6,700).

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 may not be given until after the expiration of six months from the issue date.

JN FINANCIAL GROUP LIMITED

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

11. Due from/(to) related entities

Due from/(to) related entities represent balances held by subsidiaries and other related entities in the ordinary course of business. The balances are unsecured, interest free and due within 3 months.

	Group		Company	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Due from related entities:				
Due from parent	16,200	62,986	-	22,654
Due from other related entities	147,531	31,520	24,751	19,349
	163,731	94,506	24,751	42,003
Due to related entities:				
Due to parent	354,675	130,816	199,266	1,322
Due to other related entities	199,512	152,287	50,000	2,738
	554,187	283,103	249,266	4,060

12. Other assets

	Group		Company	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Other receivables	4,218,044	3,654,205	14,849	30,333
Deposits on property, plant and equipment	2,279,504	1,027,198	-	-
Reinsurance assets [note 24(a)]	2,406,543	1,687,258	-	-
Inventories	26,111	31,696	-	-
	8,930,202	6,400,357	14,849	30,333

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

	Group	
	2023	2022
	$'000	$'000
At beginning of the year	50,400	46,302
(Decrease)/increase in allowance	(30,659)	4,098
At end of the year	19,741	50,400

(ii) A banking subsidiary pledged other assets amounting to $47.35 million (2022: $48.25 million) for bid collateral related to guarantees issued by other banks.

13. 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

JN FINANCIAL GROUP LIMITED

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

13. Assets held for sale (continued)

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

Note: The local banking subsidiary acquired real properties through foreclosure on collateral held as securities against loans. Foreclosed properties should be disposed of within 3 years of acquisition, in accordance with Section 53(1) of the Banking Services Act, 2014 [see note 44(i)].

14. Investment property

(a) Reconciliation of carrying amount

	Group
	$'000
Balance at March 31, 2021	887,917
Change in fair value	160,735
Balance at March 31, 2022	1,048,652
Change in fair value	79,499
Translation adjustment	(9,911)
Balance at March 31, 2023	1,118,240

(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 five 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 15(ii).

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

(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 $46.21 million (2022: $42.56 million). Direct operating expenses, arising from the investment property that generated rental income during the year, amounted to $19.15 million (2022: $25.7 million).

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

14. Investment property (continued)

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

The fair value measurement for the investment properties has been categorised as level 2 and 3 in the fair value hierarchy based on the inputs to the valuation technique used.

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

JN FINANCIAL GROUP LIMITED

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

15. Leases

(i) The Group as lessee

The Group lease properties, which typically run for periods of 5 years and 2-3 years, respectively, with an option to renew the lease after that date. 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

	Land and Buildings	
	Group	Company
	$'000	$'000
Cost:		
March 31, 2021	1,290,159	20,660
Additions	256,440	-
Translation adjustment	37,837	-
March 31, 2022	1,584,436	20,660
Additions	369,457	-
Translation adjustment	(43,284)	-
Lease termination adjustment	(48,848)	-
March 31, 2023	1,861,761	20,660
Depreciation:		
March 31, 2021	490,261	20,660
Charge for the year	280,383	-
March 31, 2022	770,644	20,660
Charge for the year	288,413	-
Lease termination adjustment	(28,167)	-
March 31, 2023	1,030,890	20,660
Net book values:		
March 31, 2023	830,871	-
March 31, 2022	813,792	-

(b) Lease liabilities

	Group	
	2023	2022
	$'000	$'000
Lease liabilities included in the statements of financial position at March 31	950,020	910,046
Lease liabilities are classified as follows:		
Current	231,445	288,731
Non-current	718,575	621,315
	950,020	910,046
Maturity analysis of contractual undiscounted cash flows:		
Less than one year	261,149	379,717
One to five years	521,475	328,676
Over five years	243,524	262,440
	1,026,148	970,833

JN FINANCIAL GROUP LIMITED

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

15. Leases (continued)

(i) The Group as lessee (continued)

(c) Amounts recognised in profit or loss:

	Group		Company	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Interest expense on lease liabilities	51,100	51,979	-	-
Depreciation on right-of-use assets	288,413	280,383	-	-
Expenses related to short-term leases	49,755	14,464	-	-

(d) Amounts recognised in statements of cash flows:

	Group		Company	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Total cash outflow for leases	316,618	274,088	-	-

(e) 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: $44.2 million).

The Company did not have any leases that contain extension options.

(ii) The Group as lessor

The Group leases out property. The Group has classified most of 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 $46.21 million (2022: $42.56 million), see note 14(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	105,380	99,768
One to five years	173,516	176,709
	278,896	276,477

The Company does not lease out property.

JN FINANCIAL GROUP LIMITED

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

16. Property, plant and equipment

	Group					
	Freehold land and buildings $'000	Leasehold land and buildings improvements $'000	Computers and office equipment $'000	Motor vehicles $'000	Work-in-progress $'000	Total $'000
Cost:						
March 31, 2021	3,793,067	771,890	5,049,908	710,109	855,453	11,180,427
Additions	10,378	30,409	256,567	-	34,772	332,126
Write off	-	-	-	-	(5,102)	(5,102)
Disposals	(36,721)	-	(9,941)	(81,802)	-	(128,464)
Translation adjustments	31,457	15,239	22,269	2,086	37	71,088
March 31, 2022	3,798,181	817,538	5,318,803	630,393	885,160	11,450,075
Additions	405,115	144,550	651,294	10,288	(718,407)	492,840
Disposals	-	(59,023)	(142,215)	(87,666)	-	(288,904)
Translation adjustments	(10,318)	(12,731)	(23,315)	(1,215)	-	(47,579)
March 31, 2023	4,192,978	890,334	5,804,567	551,800	166,753	11,606,432
Depreciation:						
March 31, 2021	947,039	644,208	3,699,010	556,136	-	5,846,393
Charge for the year	102,815	59,962	267,768	65,638	-	496,183
Eliminated on disposals	(9,595)	-	(4,728)	(67,659)	-	(81,982)
Translation adjustments	8,667	13,308	18,655	1,675	-	42,305
March 31, 2022	1,048,926	717,478	3,980,705	555,790	-	6,302,899
Charge for the year	104,278	44,970	278,953	43,344	-	471,545
Eliminated on disposals	-	(52,770)	(123,062)	(72,587)	-	(248,419)
Translation adjustments	(3,257)	(12,166)	(16,429)	(467)	-	(32,319)
March 31, 2023	1,149,947	697,512	4,120,167	526,080	-	6,493,706
Net book values:						
March 31, 2023	3,043,031	192,822	1,684,400	25,720	166,753	5,112,726
March 31, 2022	2,749,255	100,060	1,338,098	74,603	885,160	5,147,176

Include in freehold land and building is the cost of land at $116,524,000 (2022: $116,524,000).

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

16. Property, plant and equipment (continued)

	Company			
	Leasehold improvement and buildings	Computers and office equipment	Motor vehicles	Total
	$'000	$'000	$'000	$'000
Cost:				
March 31, 2021	28,493	12,846	22,395	63,734
Additions	-	1,750	-	1,750
Disposals	-	(7,866)	-	(7,866)
March 31, 2022	28,493	6,730	22,395	57,618
Additions	-	475	-	475
March 31, 2023	28,493	7,205	22,395	58,093
Depreciation:				
March 31, 2021	28,493	5,566	13,532	47,591
Charge for the year	-	1,013	4,479	5,492
Eliminated on disposals	-	(2,931)	-	(2,931)
March 31, 2022	28,493	3,648	18,011	50,152
Charge for the year	-	1,275	4,384	5,659
March 31, 2023	28,493	4,923	22,395	55,811
Net book values:				
March 31, 2023	-	2,282	-	2,282
March 31, 2022	-	3,082	4,384	7,466

17. Goodwill and other intangible assets

	Group							
	Goodwill	Trademarks	Software	Non-compete agreement	Licence	Customer relationships	Work-in-progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost:								
March 31, 2021	768,037	141,137	3,268,541	35,790	82,734	12,434	105,048	4,413,721
Additions	-	-	406,555	-	671	13,380	12,741	433,347
Disposal	-	-	(17,544)	-	-	-	-	(17,544)
Write-off	-	-	-	-	-	-	(19,412)	(19,412)
Translation adjustments	17,948	6,476	6,305	1,920	603	-	-	33,252
March 31, 2022	785,985	147,613	3,663,857	37,710	84,008	25,814	98,377	4,843,364
Additions	-	-	132,617	-	-	287	135,639	268,543
Disposal	-	-	(1,469,764)	-	-	-		(1,469,764)
Write-off	-	-	-	-	-	-	(3,007)	(3,007)
Translation adjustments	-	(1,091)	(26,731)	-	(5,673)	-	-	(33,495)
March 31, 2023	785,985	146,522	2,299,979	37,710	78,335	26,101	231,009	3,605,641
Amortisation:								
March 31, 2021	-	5,197	1,982,349	35,790	9,132	4,145	-	2,036,613
Charge for the year	-	562	414,481	-	12,325	10,399	-	437,767
Eliminated on disposal	-	-	(1,159)	-	-	-	-	(1,159)
Translation adjustments	-	195	(684)	1,920	(317)	-	-	1,114
March 31, 2022	-	5,954	2,394,987	37,710	21,140	14,544	-	2,474,335
Charge for the year	-	479	182,446	-	10,979	10,930	-	204,834
Eliminated on disposal	-	-	(580,456)	-	-	-	-	(580,456)
Translation adjustments	-	(252)	(12,074)	-	(1,098)	-	-	(13,424)
March 31, 2023	-	6,181	1,984,903	37,710	31,021	25,474	-	2,085,289
Net book values:								
March 31, 2023	785,985	140,341	315,076	-	47,314	627	231,009	1,520,352
March 31, 2022	785,985	141,659	1,268,870	-	62,868	11,270	98,377	2,369,029

JN FINANCIAL GROUP LIMITED

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

17. Goodwill and other intangible assets (continued)

	Company
	$'000
Cost:	
Additions	4,004
Transfer in	1,057
March 31, 2022 and 2023	5,061
Depreciation:	
March 31, 2021	558
Charge for the year	1,687
March 31, 2022	2,245
Charge for the year	1,481
March 31, 2023	3,726
Net book value:	
March 31, 2023	1,335
March 31, 2022	2,816

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

These projections included specific estimates for 5 years 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.

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

	Cayman Islands	
	2023	2022
	%	%
Discount rate	14.98	13.98
Growth rates	4.00	2.80
Percentage of business in Cayman Islands attributable to QuikCash	40.0	40.0

Five years of cash flow projections from 2024 to 2028 (2022: from 2023 to 2027) were included in the discounted cash flow model.

Budgeted EBITDA was based on the assumption that Jamaica's historical portion of outbound transactions in Cayman of 98.2% (2022: 98.2%) will continue throughout the projection period.

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).

JN FINANCIAL GROUP LIMITED

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

17. Goodwill and other intangible assets (continued)

Management has identified that reasonably possible changes in the following key assumptions could cause the estimated recoverable amount of goodwill to be equal to its carrying amount:

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

18. Deferred tax assets

Deferred tax assets are attributable to the following:

	Group			
	Assets		Net	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Other assets	59,485	77,658	59,485	77,658
Interest receivable	(111,450)	(88,350)	(111,450)	(88,350)
Property, plant and equipment	209,542	299,934	209,542	299,934
Employee benefits obligation	265,926	471,057	265,926	471,057
Other payables	171,187	136,284	171,187	136,284
Lease liabilities	113,951	121,994	113,951	121,994
Right-of-use assets	(102,533)	(110,391)	(102,533)	(110,391)
Fair value movement on investment securities at FVOCI	1,992,099	1,010,385	1,992,099	1,010,385
Contractual savings reserve	(4,741)	(4,741)	(4,741)	(4,741)
Intangible assets	17,150	46,527	17,150	46,527
Impairment losses on investment securities at FVOCI	(52,278)	3,593	(52,278)	3,593
Impairment losses on loans	261,470	578,389	261,470	578,389
Unused tax losses	362,022	122,951	362,022	122,951
Impairment on other assets	19,738	24,130	19,738	24,130
Unrealised foreign exchange gains/(losses)	713,407	(11,094)	713,407	(11,094)
Net deferred tax assets	3,914,975	2,678,326	3,914,975	2,678,326

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

	Group				
	2023				
	Balances at March 31, 2022	Recognised in profit	Recognised in other comprehensive income	Currency translation	Balances at March 31, 2023
	$'000	$'000 [Note 34(a)(ii)]	$'000	$'000	$'000
Other assets	77,658	(16,282)	-	(1,891)	59,485
Interest receivable	(88,350)	(23,100)	-	-	(111,450)
Property, plant and equipment	299,934	(90,987)	-	595	209,542
Employee benefits obligation	471,057	65,952	(271,083)	-	265,926
Other payables	136,284	34,903	-	-	171,187
Lease liabilities	121,994	(8,043)	-	-	113,951
Right-of-use assets	(110,391)	7,858	-	-	(102,533)
Fair value movement on investment securities at FVOCI	1,010,385	123,028	858,686	-	1,992,099
Contractual savings reserve	(4,741)	-	-	-	(4,741)
Intangible assets	46,527	(29,377)	-	-	17,150
Impairment losses on investment securities at FVOCI	3,593	(3,519)	(52,352)	-	(52,278)
Impairment losses on loans	578,389	(316,919)	-	-	261,470
Unused tax losses	122,951	239,071	-	-	362,022
Impairment on other assets	24,130	(4,392)	-	-	19,738
Unrealised foreign exchange (losses)/gains	(11,094)	724,501	-	-	713,407
Net deferred tax asset	2,678,326	702,694	535,251	(1,296)	3,914,975

JN FINANCIAL GROUP LIMITED

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

18. Deferred tax assets (continued)

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

	Group				
	2022				
	Balances at March 31,2021 $'000	Recognised in profit $'000 [Note 34(a)(ii)]	Recognised in other comprehensive income $'000	Currency translation $'000	Balances at March 31,2022 $'000
Other assets	86,240	(8,792)	-	210	77,658
Interest receivable	(61,416)	(26,934)	-	-	(88,350)
Property, plant and equipment	295,614	3,561	-	759	299,934
Employee benefits obligation	441,592	51,354	(21,889)	-	471,057
Other payables	117,908	18,376	-	-	136,284
Lease liabilities	147,944	(25,950)	-	-	121,994
Right-of-use assets	(138,269)	27,878	-	-	(110,391)
Fair value movement on investment securities at FVOCI	240,876	(29,605)	799,114	-	1,010,385
Contractual savings reserve	(4,267)	(474)	-	-	(4,741)
Intangible assets	46,112	415	-	-	46,527
Impairment losses on investment securities at FVOCI	4,499	55,257	(56,163)	-	3,593
Impairment losses on loans	157,410	420,979	-	-	578,389
Unused tax losses	58,053	64,898	-	-	122,951
Impairment on other assets	21,133	2,997	-	-	24,130
Unrealised foreign exchange gains	(47,588)	36,494	-	-	(11,094)
Net deferred tax asset	1,365,841	590,454	721,062	969	2,678,326

The Company did not have any movement in temporary differences during the year as the deferred tax assets were not recognised [see note 34(e)].

	Group	
	2023 $'000	2022 $'000
Net deferred tax asset at beginning of year	2,678,326	1,365,841
Recognised in other comprehensive income:		
Fair value movement on investment securities at FVOCI	858,686	799,114
Impairment losses on investment securities at FVOCI	(52,352)	(56,163)
Employee benefits obligation	(271,083)	(21,889)
	535,251	721,062
Currency translation impact	(1,296)	969
Recognised in statement of profit or loss [note 34(a)(ii)]	702,694	590,454
Net deferred tax asset at end of year	3,914,975	2,678,326

JN FINANCIAL GROUP LIMITED

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

19. Customer deposits

	Group 2023 $'000	Group 2022 $'000
Deposits	202,483,995	193,781,240
Accrued interest	387,206	433,099
	202,871,201	194,214,339

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

	Group 2023 $'000	Group 2022 $'000
Within 3 months	166,395,536	147,099,883
From 3 months to 1 year	23,746,658	34,031,795
Over 1 year	12,729,007	13,082,661
	202,871,201	194,214,339

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	637	3,245,267	2,593,938
Financial institutions	311	198	7,405,977	5,776,990
Commercial and business	9,829	7,776	15,907,635	14,595,312
Individuals	1,094,498	972,818	176,312,322	171,248,099
	1,105,301	981,429	202,871,201	194,214,339

As at March 31, 2023 and 2022, the building society subsidiary was compliant with Section 19 of the Cayman Islands Building Societies Law (2014 Revision).

20. Securities sold under repurchase agreements

	Group 2023 $'000	Group 2022 $'000
Principal	30,294,712	34,421,349
Interest payable	100,048	323,672
	30,394,760	34,745,021

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

	Group 2023 $'000	Group 2022 $'000
Within 3 months	21,237,654	12,438,042
From 3 months to 1 year	9,057,058	21,983,307
	30,294,712	34,421,349

JN FINANCIAL GROUP LIMITED

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

20. Securities sold under repurchase agreements (continued)

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 $35.30 billion (2022: $41.86 billion).

21. Other payables

	Group		Company	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Staff-related accrual	408,480	642,726	13,031	-
Insurance payable	2,178,822	1,432,222	-	-
NHT refunds to its members and other deposits (i)	1,203,441	594,884	-	-
Trade payables	1,561,482	1,726,084	10,467	551
Accruals	582,780	385,191	25,196	28,074
Other	1,055,987	1,910,517	80,559	3,647
	6,990,992	6,691,624	129,253	32,272

(i) Customer 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 margin loan 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 of 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.

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

23. Employee benefits obligation (continued)

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

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

The total contributions made for the year are included in employee costs (note 35).

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 and supplementary obligations benefit:

	Group	
	2023	2022
	$'000	$'000
At beginning of year	1,413,169	1,313,988
Benefits paid	(19,814)	(13,040)
Service costs [note 23(c)]	81,712	65,325
Interest cost [note 23(c)]	136,030	112,564
Actuarial gain arising from:		
Experience adjustments	(140,688)	(37,945)
Demographic assumption	96,540	(31,351)
Financial assumptions	(769,104)	3,628
Balances at end of year	797,845	1,413,169

JN FINANCIAL GROUP LIMITED

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

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
Interest cost on obligation	136,030	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 assumed 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).

(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).

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

23. Employee benefits obligation (continued)

(i) Supplementary pension benefit:

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

24. Insurance contract provisions

(a) Group:

	2023			2022		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'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
	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 $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'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.

(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

JN FINANCIAL GROUP LIMITED

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

24. Insurance contract provisions (continued)

(d) Gross unearned premiums are analysed as follows:

	Group	
	2023	2022
	$'000	$'000
Liability	186,925	174,396
Motor	1,276,155	1,154,289
Pecuniary loss	3,995	4,618
Personal accident	7,502	7,661
Marine	8,423	6,349
Property	1,580,789	1,423,926
Engineering	80,388	79,983
	3,144,177	2,851,222

25. Loans payable

	Group		Company	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Unsecured bond (i)	6,580,631	2,596,088	6,562,536	2,579,553
Notes payable [see (ii)]	-	800,000	-	-
Subordinated debt [see (iii)]	669,000	669,000	-	-
The Jamaica National Group Limited [see (iv)]	-	14,170,580	-	-
JN Fund Managers Limited [see (v)]	-	-	300,000	-
	7,249,631	18,235,668	6,862,536	2,579,553

(i) 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 the Company. The covenant was not achieved and the Company 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.

(ii) This represented secured debt obligations issued by a subsidiary which matured on March 31, 2023. The notes bore interest at a rate of 6.25%, were secured by a basket of securities, and typically had fixed quarterly coupon payments and bullet payments of principal at maturity.

25. Loans payable (continued)

(iii) This represents subordinated debt obligations maturing on September 30, 2026. The debt obligations were issued on March 31, 2022 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.

(iv) During the year, the local banking subsidiary repaid the long-term loan of $14.2 billion owed to the ultimate parent.

(v) This represents an unsecured bond which bears interest at 10.5% per annum. Interest is repayable monthly, with principal repayable at maturity on March 31, 2024.

26. Share capital

	Group and Company	
	2023	2022
	$'000	$'000
Issued and fully paid:		
4,901,804,639 (2022: 4,901,804,637) ordinary shares of no par value	11,220,495	5,190,495

The number of shares which the Company is authorised to issue is unlimited. During the year, the Company issued 2 ordinary shares for $6,030,000,000 to The Jamaica National Group Limited.

27. Reserve fund

In accordance with the Banking Services Act, 2014 and regulations under which it operates, the local banking subsidiary is required to make transfers to a reserve fund of a minimum of 15% of net profits, until the amount in the fund is equal to 50% of the paid-up capital of the 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 customers of a banking subsidiary, after meeting certain criteria, including saving a contracted sum at a fixed rate of 3% per annum, became eligible to apply for a mortgage loan at a fixed 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.

JN FINANCIAL GROUP LIMITED

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

29. Other reserves

	Group	
	2023	2022
	$'000	$'000
Capital reserve	83,076	83,076
Translation reserve (a)	614,109	933,396
Investment revaluation reserve (b)	(3,735,364)	(1,921,930)
Credit loss reserve (c)	583,778	491,230
Retained earnings reserve (d)	7,123,000	7,123,000
Other	16,356	16,356
	4,684,955	6,725,128

(a) Translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign subsidiaries to Jamaica dollar 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 provision for loan losses (note 10).

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

30. Non-controlling interest

	Group	
	2023	2022
	$'000	$'000
Share capital	3,611	3,611
Share of profit and reserves	27,194	44,883
	30,805	48,494

This represents the non-controlling interest in the following direct subsidiaries.

Company	Non-Controlling Interest Holding	
JN Cayman	4.11%	(2022: 4.11%)
JN General Insurance Company Limited	0.36%	(2022: 0.50%)

31. Interest expense

	Group		Company	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Specialised financial institutions	72,136	69,065	-	-
Customer deposits	1,442,078	1,014,668	-	-
Securities sold under repurchase agreements	1,747,708	982,059	-	-
Lease liabilities	51,100	51,979	-	-
Loans payable	694,239	881,101	475,926	201,500
Other	106,406	43,703	-	-
	4,113,667	3,042,575	475,926	201,500

JN FINANCIAL GROUP LIMITED

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

32. Other operating income

	Group		Company	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Fees and commissions:				
Commission income	78,225	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	66,409	-	-
Total fees and commissions	4,069,299	4,327,028	-	-
Sundry:				
Realised gains on foreign exchange trading	3,874,436	4,069,308	-	-
Management fees	383,596	273,766	383,933	280,514
Net underwriting insurance income	797,677	1,316,115	-	-
Dividends	40,897	22,620	1,114,556	1,429,836
Increase in fair value of investment property	79,499	160,735	-	-
Gain on NHT loan sale [see (i) below]	943,222	-	-	-
Other	667,896	333,345	29,128	14,587
Total sundry	6,787,223	6,175,889	1,527,617	1,724,937
Total other operating revenue	10,856,522	10,502,917	1,527,617	1,724,937

(i) During the year, the local banking subsidiary settled its liability to the National Housing Trust (NHT) under the Joint Financing Mortgage Portfolio at a discount.

33. Operating expenses

	Group		Company	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Administrative	8,091,921	8,039,955	21,658	10,128
Employee costs (note 35)	9,882,877	9,101,360	351,896	174,545
Audit fees	316,440	274,252	15,739	12,503
Bad debts written-off for loans and other receivables	398,365	354,187	-	-
Depreciation and amortisation (notes 15, 16 and 17)	964,792	1,214,333	7,151	7,179
Advertising and promotion	622,197	551,922	-	-
Legal and other professional fees	3,339,936	2,830,031	128,113	104,663
Directors fees	76,633	72,394	12,392	11,142
	23,693,161	22,438,434	536,949	320,160

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

34. Taxation

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

		Group	
		2023	2022
		$'000	$'000
(i)	Current tax expense:		
	Charge on current year profit	1,081,941	977,391
	Adjustment in respect of prior year's charge	7,901	5,309
		1,089,842	982,700
(ii)	Deferred tax expense (note 18):		
	Unused tax losses	(239,071)	(64,898)
	Origination and reversal of temporary differences	(463,622)	(525,556)
		(702,693)	(590,454)
	Total taxation in statement of profit or loss	387,149	392,246

(b) Reconciliation of effective tax charge:

Taxation is computed at rates of 33⅓% for the Company, 15%, 33⅓% and 25% for its local subsidiaries and 19%, 26½% and 40% for certain direct and indirect foreign subsidiaries. Dividends are received from local subsidiaries and companies external to the Group at Nil% and 15%, respectively. Tax is computed on income at Nil% for Cayman Islands direct and indirect subsidiaries. The effective tax rate for the Group was 14.67% of loss before taxation (2022: 172.98%) and Nil% (2022: Nil%) for the Company.

The actual tax 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	(2,638,746)	226,759	(3,112,224)	1,208,026
Computed "expected" tax expense at 15% & 19%	3,350	7,130	-	-
Computed "expected" tax (credit)/expense at 25%	(23,980)	(8,581)	-	-
Computed "expected" tax expense at 26½%	299,020	464,078	-	-
Computed "expected" tax expense at 33⅓% & 40%	272,463	488,314	(1,037,305)	402,635
	550,853	950,941	(1,037,305)	402,635
Tax effect of difference between profit for financial statements and tax reporting purposes on -				
Depreciation charge and capital allowances	104,392	36,778	1,192	(6,878)
Gain/(loss) on disposal of property, plant and equipment	3,482	(14,964)	-	-
Unfranked and exempt income	(403,005)	(520,002)	(301,582)	(476,564)
Gain on disposal of investments	354	(2,021)	-	-
Disallowed expenses, net	152,358	241,702	1,317,191	1,727
Reversal of impairment losses on loans	-	(423,882)	-	-
Tax losses	69,551	138,509	17,796	85,544
Other	(98,737)	(20,124)	2,708	(6,464)
	379,248	386,937	-	-
Prior year under provision	7,901	5,309	-	-
Actual tax expense, net	387,149	392,246	-	-

JN FINANCIAL GROUP LIMITED

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

34. Taxation (continued)

(c) As at March 31, 2023, tax losses of approximately $4.36 million (2022: $3.2 million) for the Company and Nil (2022: $Nil) for the Jamaican subsidiaries of the Group are available for set-off against future taxable profits, subject to agreement by the Commissioner General, Tax Administration Jamaica. The Company can utilise the full amount of tax loss, as it is within its first five years of assessment following the year of assessment in which it commenced business. Taxation losses available to overseas indirect and direct subsidiaries, for relief against their future taxable profits, amounted to approximately $6.02 billion (2022: $3.88 billion).

(d) At March 31, 2023, a deferred tax liability of approximately $3.56 billion (2022: $3.75 billion), 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.

(e) No deferred tax asset was booked for the Company as management believes that the tax losses are not likely to be used in the foreseeable future based on the Company's current business model.

A deferred tax asset has not been booked in respect of the following:

	2023 $'000	2022 $'000
Other assets	-	(15)
Property, plant and equipment	2,119	1,382
Other payables	19,537	2,673
Unrealised foreign exchange (gains)/losses	77	(1,881)
Tax losses	1,437,925	296,586
Total	1,459,658	298,745

35. Employee costs

	Group		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Salaries	7,057,232	6,492,961	296,904	138,477
Group life, pension and health insurance contributions	796,596	650,990	22,450	14,765
Statutory payroll contributions	756,312	752,054	28,904	15,520
Staff welfare	482,785	-	-	-
Other	789,952	1,205,355	3,638	5,783
	9,882,877	9,101,360	351,896	174,545

JN FINANCIAL GROUP LIMITED

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

36. 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 apply:

(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.

(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 parent company, fellow subsidiaries direct and indirect subsidiaries, associates, JN Group Pension Scheme, its directors and those of its parent, companies owned by directors, other key management personnel and JN Foundation.

JN FINANCIAL GROUP LIMITED

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

36. Related party balances and transactions (continued)

(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				
Subsidiary	-	-	16,734	20,937
Investments				
Other related party	247,163	248,660	-	-
Due from related parties	163,731	94,506	24,751	42,003
Due to related parties	554,187	283,103	249,266	4,060
Loans				
Directors	100,511	104,172	-	-
Other key management personnel	151,132	53,841	-	-
Customer deposits				
Directors	284,123	265,295	-	-
Parent company	162,203	273,660	-	-
Other key management personnel	44,049	206,687	-	-
Other related parties	905,299	885,030	-	-
Securities sold under repurchase agreements				
Directors	87,695	131,746	-	-
Other related parties	438,464	1,226,978	-	-

(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:				
Dividends	-	-	(1,114,556)	(1,429,836)
Other related entities				
Interest income	(19,495)	(19,940)	(2,616)	(227)
Management fees income	(230,694)	(301,615)	(383,933)	(280,514)
Management fees expense	1,340,561	1,452,411	53,871	55,730
Computer related expense	1,495,908	1,517,577	5,405	5,405
Marketing expense	168,693	177,700	-	-
Commission expense	298,116	292,470	-	-
Rental expense	38,866	38,301	-	-
Directors:				
Interest expense	5,666	7,476	-	-
Other related parties:				
Interest expense	92,181	445,288	-	-
Contribution to JN Group Pension Fund	220,403	191,271	-	-
Contribution to JN Foundation	44,034	51,911	-	-

The related party transaction were conducted on an arm's length basis.

JN FINANCIAL GROUP LIMITED

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

36. Related party balances and transactions (continued)

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

	Group		Company	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Short-term benefits	297,478	177,651	103,230	-
Post-employment benefits	8,824	3,808	2,985	-
	306,302	181,459	106,215	-

37. Managed funds

A 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).

38. 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

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 use of and proceeds from its financial assets are sufficient to fund the obligations arising from its deposit base and other contractual liabilities.

38. Financial risk management (continued)

(a) Overview (continued)

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

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 head 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 suffering 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 and derivatives as well as settlement balances with market counterparties and reverse repurchase agreements.

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 are centralised in the credit risk and treasury management teams which report regularly to the appropriate board committee.

(i) Credit risk measurement

A. 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 for 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).

38. Financial risk management (continued)

(b) Credit risk (continued):

(i) Credit risk measurement (continued)

A. Loans and advances (including loan commitments and guarantees) (continued)

Credit risk grading

The Group uses internal credit risk gradings that reflect its assessment of the credit-worthiness 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 this rating model. This is supplemented with external data such as credit bureau scoring information on individual borrowers. In addition, the models enable expert judgement from 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
NPL doubtful	R8

B. 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 classes (21 to 23). The master scale assigns each rating category a specified range of probabilities of default, which is stable over time. The rating methods are subject to an annual validation and recalibration so that they reflect the latest projections in the light of all actually observed defaults.

38. Financial risk management (continued)

(b) Credit risk (continued):

(i) Credit risk measurement (continued)

B. Investments (continued)

The Group's internal rating scale, and its mapping to external ratings, are set out below:

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

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Notes to the Financial Statements (Continued)
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38. Financial risk management (continued)

(b) Credit risk (continued):

(ii) Expected credit loss measurement

1. 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 continuously monitored by the Group.

Stage 2

If a significant increase in credit risk (‘SICR’) since initial recognition is identified but is not yet deemed to be credit-impaired, it 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. A POCI financial asset or a financial asset for which there has been a significant deterioration in the credit-worthiness of the borrower or issuer since initial recognition such that the credit is determined to be impaired is classified as “Stage 3.”

Change in credit quality since initial recognition

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

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

A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Note 38(b)(ii)2D includes an explanation of how the Group has incorporated this in its ECL models.

38. Financial risk management (continued)

(b) Credit risk (continued):

(ii) Expected credit loss measurement (continued)

2. Key judgments and assumptions in determining impairment

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

A. Significant increase in credit risk (SICR)

Loans

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

- 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 securities. Movements within investment grade are not construed as significant increases in credit risk; 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 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; and
- Early signs of cashflow/liquidity problems such as delay in servicing of trade creditors/loans.

For both loans and investments, the assessment of SICR incorporates forward-looking information and is performed on a quarterly basis at a portfolio level for all 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.

38. Financial risk management (continued)

(b) Credit risk (continued):

(ii) Expected credit loss measurement (continued)

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

A. Significant increase in credit risk (SICR) (continued)

Backstop

Regardless of 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 intra-group exposures in the years ended March 31, 2023 and 2022.

B. 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 the 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; or
- 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.

38. Financial risk management (continued)

(b) Credit risk (continued):

(ii) Expected credit loss measurement (continued)

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

B. 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.

C. Measuring ECL - Explanation of inputs, assumptions and estimation techniques

Expected credit losses are 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 assets" 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.

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

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

38. Financial risk management (continued)

(b) Credit risk (continued):

(ii) Expected credit loss measurement (continued)

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

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

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis.
- For revolving products, the exposure at default is predicted by taking 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, LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers.

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

The assumptions underlying the ECL calculation, such as how 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

D. 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.

38. Financial risk management (continued)

(b) Credit risk (continued):

(ii) Expected credit loss measurement (continued)

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

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

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 March 31, 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.

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.

38. Financial risk management (continued)

(b) Credit risk (continued):

(ii) Expected credit loss measurement (continued)

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

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

Economic variable assumptions

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

The weightings assigned to each economic scenario at March 31, 2023 and March 31, 2022 were as follows:

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

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

Management used the Vasicek model to apply forward looking information.

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

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

38. Financial risk management (continued)

(b) Credit risk (continued):

(ii) Expected credit loss measurement (continued)

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

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

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.

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

E. 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.

38. Financial risk management (continued)

(b) Credit risk (continued):

(ii) Expected credit loss measurement (continued)

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

E. Grouping of instruments for losses measured on a collective basis (continued)

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

F. 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.

Credits to borrowers

Credit facilities to customers and other borrowers comprise primarily 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.

38. Financial risk management (continued)

(b) Credit risk (continued):

(ii) Expected credit loss measurement (continued)

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

F. Management of credit risk (continued)

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the customer's financial position and where the 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 amounted to $1.88 billion (2022: $1.71 billion) for the Group.

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.

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.

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Notes to the Financial Statements (Continued)
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38. Financial risk management (continued)

(b) Credit risk (continued):

(ii) Expected credit loss measurement (continued)

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

F. Management of credit risk (continued)

Write-off policy (continued)

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

The Group has documented investment policies in place which guide in managing credit risk on investment securities, due from related entities, loans, other assets (excluding inventory), cash and cash equivalents and securities purchased under resale agreements. 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.

The Group's 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	233,300,670	232,693,892	56,343	93,309
United States of America	7,335,795	12,215,157	-	-
United Kingdom	28,824,407	26,016,751	-	-
Canada	4,301,284	4,657,208	-	-
Ghana	1,869	9,297	-	-
Barbados	12,588	71,361	-	-
Bahamas	29,415	1,375	-	-
Trinidad & Tobago	888,614	878,399	-	-
Turks and Caicos	48,011	38,941	-	-
Philippines	2,052	57,761	-	-
Cayman Islands	6,929,324	7,886,773	-	-
	281,674,029	284,526,915	56,343	93,309

38. Financial risk management (continued)

(b) Credit risk (continued):

(ii) Expected credit loss measurement (continued)

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

F. Management of credit risk (continued)

Credit quality of loans

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

	Group	
	2023	2022
	$'000	$'000
Neither past due nor impaired	128,759,018	112,992,749
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	1,573,688
	150,813,606	133,726,131
Less allowance for losses (note 10)	(5,782,692)	(3,256,169)
Total loans (note 10)	145,030,914	130,469,962
Unused credit limits	1,712,634	1,672,224
Loan commitments	5,665,404	5,355,410
Total credit exposure	152,408,952	137,497,596

The Company had no loans at March 31, 2023 and 2022.

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 statement of financial position, without taking account of the value of any collateral held.

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

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

38. Financial risk management (continued)

(b) Credit risk (continued):

(ii) Expected credit loss measurement (continued)

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

F. Management of credit risk (continued)

Exposure to credit risk (continued)

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

	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 credit exposure	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)
Total credit exposure	137,109,552	11,581,299	3,718,101	152,408,952

	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 credit exposure	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)
Total credit exposure	123,408,834	10,763,536	3,325,226	137,497,596

Information on how the ECL is measured and how the three stages above are determined is included in note 38(b)(ii)2c '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).

JN FINANCIAL GROUP LIMITED

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

38. Financial risk management (continued)

(b) Credit risk (continued):

(ii) Expected credit loss measurement (continued)

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

F. Management of credit risk (continued)

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 properties. Estimates of the fair value of collateral are based on the value of the 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 subsidiaries include, but are not limited to, insurance policies, properties, motor vehicles, and, for loans, 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.

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	6,285,080	-
Debt securities	49,063	-	-	18,389,050
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	18,389,050
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	601	16,892	-	-
Business equipment	-	3,636	-	-
Other	-	18,770	-	-
Subtotal	5,399,629	7,268,459	-	-
Grand total	184,321,652	177,042,989	6,285,080	18,389,050

JN FINANCIAL GROUP LIMITED

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

38. Financial risk management (continued)

(b) Credit risk (continued):

(ii) Expected credit loss measurement (continued)

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

F. Management of credit risk (continued)

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

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.

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:

	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	-
Total for credit impaired assets	7,411,370	(3,693,269)	3,718,101	5,399,029

JN FINANCIAL GROUP LIMITED

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

38. Financial risk management (continued)

(b) Credit risk (continued):

(ii) Expected credit loss measurement (continued)

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

F. Management of credit risk (continued)

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

	2022			
	Gross exposure	**Impairment allowance**	**Carrying amount**	**Fair value of collateral held**
Credit-impaired assets	$'000	$'000	$'000	$'000
Loans				
- Credit cards	66,822	(34,712)	32,110	-
- 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
Total for credit impaired assets	5,234,377	(1,909,151)	3,325,226	7,780,590

Loss allowance

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

	2023	2022
	$'000	$'000
Loans (note 10)	2,667,459	841,552
Investments (note 8)	23,363	(96,202)
Other financial assets (note 12)	(30,659)	4,098
	2,660,163	749,448

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 year, 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;
- 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.

JN FINANCIAL GROUP LIMITED

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

38. Financial risk management (continued)

(b) Credit risk (continued):

(ii) Expected credit loss measurement (continued)

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

F. 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:

	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 10)	558,401	223,760	1,885,298	2,667,459
Other movements:				
Translation adjustment (note 10)	(38,819)	(507)	-	(39,326)
Write-offs against provision (note 10)	(53)	(377)	(101,180)	(101,610)
Loss allowance as at March 31, 2023	1,545,299	544,124	3,693,269	5,782,692

JN FINANCIAL GROUP LIMITED

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

38. Financial risk management (continued)

(b) Credit risk (continued):

(ii) Expected credit loss measurement (continued)

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

F. 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):

	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 10)	35,660	13,290	792,602	841,552
Other movements:				
Translation adjustment (note 10)	826	1,910	12,378	15,114
Write-offs against provision (note 10)	(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

38. Financial risk management (continued)

(b) Credit risk (continued):

(ii) Expected credit loss measurement (continued)

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

F. 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; and
- The write-off of loans with a total gross carrying amount $357.02 million (2022: $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 loan portfolio to help explain their significance to the changes in the loss allowance for the same portfolio as described above:

	2023			
	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, 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	43,705,216	1,716,838	364,524	45,786,578
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	138,654,851	12,125,423	7,411,370	158,191,644

JN FINANCIAL GROUP LIMITED

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

38. Financial risk management (continued)

(b) Credit risk (continued):

(ii) Expected credit loss measurement (continued)

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

F. Management of credit risk (continued)

Loss allowance (continued)

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

	2022			
	Stage 1	**Stage 2**	**Stage 3**	
Loans	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Gross carrying amount as at 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 year was $288 million (2022: $Nil).

JN FINANCIAL GROUP LIMITED

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

38. Financial risk management (continued)

(b) Credit risk (continued):

(ii) Expected credit loss measurement (continued)

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

F. 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 the factors set out on page 69:

	2023			
	Stage 1	Stage 2	Stage 3	
Investments	12-month ECL	Lifetime ECL	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

	2022			
	Stage 1	Stage 2	Stage 3	
Investments	12-month ECL	Lifetime ECL	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

JN FINANCIAL GROUP LIMITED

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

38. Financial risk management (continued)

(b) Credit risk (continued):

(ii) Expected credit loss measurement (continued)

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

F. Management of credit risk (continued)

Loss allowance (continued)

Investments (continued)

At the reporting date, the Group had investments and securities purchased under resale agreements at:

	2023					
	Amortised cost		Carried at FVOCI		Total	
	Investment $'000	Reverse Repos $'000	Investment $'000	Reverse Repos $'000	Investment $'000	Reverse Repos $'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

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

	2022					
	Amortised cost		Carried at FVOCI		Total	
	Investment $'000	Reverse Repos $'000	Investment $'000	Reverse Repos $'000	Investment $'000	Reverse Repos $'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

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.

38. Financial risk management (continued)

(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.

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 settlement of the amounts recognised in the statement of financial position. The Group does not expect that all its customers will demand the payment of funds at the earliest date possible.

JN FINANCIAL GROUP LIMITED

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

38. Financial risk management (continued)

(c) Liquidity risk (continued):

Management of 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 Assets							
Cash and cash equivalents	30,738,356	30,742,388	30,742,388	-	-	-	-
Securities purchased under resale agreements	3,376,094	3,449,209	2,257,169	1,192,040	-	-	-
Investments	92,017,305	94,127,121	16,357,752	17,996,119	3,135,150	9,405,449	47,232,651
Due from related parties	163,731	163,731	163,731	-	-	-	-
Loans	145,030,914	156,789,006	5,969,241	1,728,221	9,868,579	29,605,737	109,617,228
Other assets	8,930,202	8,930,202	8,930,202	-	-	-	-
Total financial assets	280,256,602	294,201,657	64,420,483	20,916,380	13,003,729	39,011,186	156,849,879
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	202,871,201	204,397,440	167,742,046	23,833,539	7,978,540	4,819,433	23,882
Due to related entities	554,187	554,187	554,187	-	-	-	-
Securities sold under repurchase agreements	30,394,760	31,649,330	22,387,472	9,261,858	-	-	-
Other payables	6,990,992	7,644,135	7,644,135	-	-	-	-
Margin loan payable	2,086,716	2,211,919	2,211,919	-	-	-	-
Lease liabilities	950,020	924,116	43,487	259,725	201,920	205,896	213,088
Loans payable	7,249,631	10,814,005	4,176,502	357,223	5,441,584	838,696	-
Total financial liabilities	253,578,532	260,853,102	204,881,903	33,932,864	13,863,213	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
	257,788,148	277,102,099	217,585,443	35,062,735	14,486,590	7,128,892	2,838,439
On statement of financial position gap being total liquidity gap	22,468,454	17,099,558	(153,164,960)	(14,146,355)	(1,482,861)	31,882,294	154,011,440
Cumulative gap			(153,164,960)	(167,311,315)	(168,794,176)	(136,911,882)	17,099,558

	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 and cash equivalents	33,107,574	31,913,731	31,913,731	-	-	-	-
Securities purchased under resale agreements	14,716,900	15,492,271	8,035,600	7,456,671	-	-	-
Investments	99,769,306	101,840,455	21,545,292	10,594,142	5,195,541	15,586,624	48,918,856
Due from related parties	94,506	94,506	94,506	-	-	-	-
Loans	130,469,962	139,142,533	9,163,777	4,426,259	7,801,607	23,404,820	94,346,070
Other assets	6,400,357	6,400,357	6,400,357	-	-	-	-
Total financial assets	284,558,605	294,883,853	77,153,263	22,477,072	12,997,148	38,991,444	143,264,926

JN FINANCIAL GROUP LIMITED

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

38. Financial risk management (continued)

(c) Liquidity risk (continued):

Management of liquidity risk (continued)

	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 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	194,214,339	195,853,289	149,352,926	35,490,234	3,790,769	7,219,360	-
Due to related entities	283,103	283,103	283,103	-	-	-	-
Securities sold under repurchase agreements	34,745,021	34,838,938	19,847,277	14,889,966	101,695	-	-
Other payables	6,691,624	6,691,624	6,691,624	-	-	-	-
Lease liabilities	910,046	924,116	43,487	259,725	201,920	205,896	213,088
Loans payable	18,235,668	18,676,952	277,482	1,787,382	736,419	8,150,959	7,724,710
	259,358,888	262,488,507	176,685,402	53,357,621	5,376,805	16,300,374	10,768,305
Unrecognised loan commitments	-	10,135,095	10,135,095	-	-	-	-
Insurance contract liabilities	3,008,662	3,297,775	348,829	987,159	893,969	488,974	578,844
	262,367,550	275,921,377	187,169,326	54,344,780	6,270,774	16,789,348	11,347,149
On statement of financial position gap being total liquidity gap	22,191,055	18,962,476	(110,016,063)	(31,867,708)	6,726,374	22,202,096	131,917,777
Cumulative gap			(110,016,063)	(141,883,771)	(135,157,397)	(112,955,301)	18,962,476

	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
Financial Assets						
Cash and cash equivalents	16,743	16,743	16,743	-	-	-
Due from related parties	24,751	24,751	24,751	-	-	-
Other assets	14,849	14,849	14,849	-	-	-
Total financial assets	56,343	56,343	56,343	-	-	-
Financial Liabilities						
Due to related entities	249,266	249,266	249,266	-	-	-
Other payables	129,253	129,253	129,253	-	-	-
Loans payable	6,862,536	7,022,042	4,153,375	151,125	2,717,542	-
	7,241,055	7,400,561	4,531,894	151,125	2,717,542	-
On statement of financial position gap being total liquidity gap	(7,184,712)	(7,344,218)	(4,475,551)	(151,125)	(2,717,542)	-
Cumulative gap			(4,475,551)	(4,626,676)	(7,344,218)	(7,344,218)

JN FINANCIAL GROUP LIMITED

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

38. Financial risk management (continued)

(c) Liquidity risk (continued):

Management of liquidity risk (continued)

	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
Financial Assets						
Cash and cash equivalents	20,973	20,973	20,973	-	-	-
Due from related parties	42,003	42,003	42,003	-	-	-
Other assets	30,333	30,333	30,333	-	-	-
Total financial assets	93,309	93,309	93,309	-	-	-
Financial Liabilities						
Due to related entities	4,060	4,060	4,060	-	-	-
Other payables	32,272	32,272	32,272	-	-	-
Loans payable	2,579,553	3,479,172	49,979	149,937	199,915	3,079,341
	2,615,885	3,515,504	86,311	149,937	199,915	3,079,341
On statement of financial position gap, being total liquidity gap	(2,522,576)	(3,422,195)	6,998	(149,937)	(199,915)	(3,079,341)
Cumulative gap			6,998	(142,939)	(342,854)	(3,422,195)

(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 Group's Board Finance Committee manages market risks in accordance with the Group's 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.

JN FINANCIAL GROUP LIMITED

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

38. Financial risk management (continued)

(d) Market risk (continued):

Management of market risk (continued)

(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 Group interest rate gap risk analysis below shows a 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, which involves granting long-term loans (up to 30 years) funded by customer 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 its mortgages. In addition, mortgages may be called after six months' notice. The customer deposit portfolio has been stable and is expected to remain so.

The Group's deposit-taking subsidiaries manage their risk by monitoring their customer deposits, taking steps to ensure stability, and by adjusting interest rates to the extent practicable within the overall policy of encouraging long-term savings and facilitating home ownership.

The following table summarises the carrying amounts of recognised financial assets and financial liabilities to arrive at the 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.

	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	1,622,452	11,056,630	-	-	18,059,274	30,738,356	0.13
Securities purchased under resale agreements	-	2,171,860	1,147,213	-	57,021	3,376,094	5.21
Investments	-	15,317,734	17,436,410	57,291,038	1,972,123	92,017,305	4.28
Due from related entities	-	-	-	-	163,731	163,731	-
Loans	-	5,318,191	2,142,350	136,856,568	713,805	145,030,914	8.94
Other assets	-	-	-	-	8,930,202	8,930,202	-
Total financial assets	1,622,452	33,864,415	20,725,973	194,147,606	29,896,156	280,256,602	
Financial liabilities							
Bank overdraft	39,564	-	-	-	-	39,564	9.50
Due to specialised financial institutions	-	79,211	216,936	2,145,314	-	2,441,461	2.00
Customer deposits	979,074	165,513,171	23,746,658	12,245,092	387,206	202,871,201	0.83
Due to related entities	-	-	-	-	554,187	554,187	-
Securities sold under repurchase agreements	-	21,237,654	9,057,058	-	100,048	30,394,760	7.03
Other payables	-	4,287	-	-	6,986,705	6,990,992	-
Margin loan payable	-	2,086,716	-	-	-	2,086,716	6.00
Lease liabilities	-	14,184	148,206	710,244	77,386	950,020	6.00
Loans payable	-	-	423,867	6,762,299	63,465	7,249,631	3.75
Total financial liabilities	1,018,638	188,935,223	33,592,725	21,862,949	8,168,997	253,578,532	
On-statement-of-financial-position gap, being total interest rate sensitivity gap	603,814	(155,070,808)	(12,866,752)	172,284,657	21,727,159	26,678,070	
Cumulative gap	603,814	(154,466,994)	(167,333,746)	4,950,911	26,678,074	-	

JN FINANCIAL GROUP LIMITED

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

38. 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	2,594,836	11,141,359	-	-	19,371,379	33,107,574	0.14
Securities purchased under resale agreements	-	7,727,699	6,856,912	-	132,289	14,716,900	9.09
Investments	-	19,284,703	10,308,845	67,189,463	2,986,295	99,769,306	3.69
Due from related entities	-	-	-	-	94,506	94,506	-
Loans	-	8,991,146	4,185,191	116,597,788	695,837	130,469,962	7.66
Other assets	-	-	-	-	6,400,357	6,400,357	-
Total financial assets	2,594,836	47,144,907	21,350,948	183,787,251	29,680,663	284,558,605	
Financial liabilities							
Bank overdraft	404	-	-	-	-	404	9.50
Due to specialised financial institutions	-	4,027,752	97,925	153,006	-	4,278,683	3.33
Customer deposits	-	146,666,784	34,031,795	13,082,661	433,099	194,214,339	0.62
Due to related entities	-	-	-	-	283,103	283,103	-
Securities sold under repurchase agreements	-	12,438,042	21,983,307	-	323,672	34,745,021	4.58
Other payables	-	-	-	-	6,691,624	6,691,624	-
Lease liabilities	-	129,434	136,982	160,039	483,591	910,046	6.00
Loans payable	-	-	880,000	17,355,668	-	18,235,668	4.03
Total financial liabilities	404	163,262,012	57,130,009	30,751,374	8,215,089	259,358,888	
On-statement-of-financial-position gap, being total interest rate sensitivity gap	2,594,432	(116,117,105)	(35,779,061)	153,035,877	21,465,574	25,199,717	
Cumulative gap	2,594,432	(113,522,673)	(149,301,734)	3,734,143	25,199,717	-	

	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	16,743	-	-	-	-	16,743	0.01
Due from related entities	-	-	-	-	24,751	24,751	-
Other assets	-	-	-	-	14,849	14,849	-
Total financial assets	16,743	-	-	-	39,600	56,343	-
Financial liabilities							
Due to related entities	-	-	-	-	249,266	249,266	-
Other payables	-	-	-	-	129,253	129,253	-
Loans payable	-	-	423,867	6,438,669	-	6,862,536	8.94
Total financial liabilities	-	-	423,867	6,438,669	378,519	7,241,055	
On-statement-of-financial-position gap, being total interest rate sensitivity gap	16,743	-	(423,867)	(6,438,669)	(338,919)	(7,184,712)	
Cumulative gap	16,743	16,743	(407,124)	(6,845,793)	(7,184,712)	-	

JN FINANCIAL GROUP LIMITED

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

38. 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	20,947	-	-	-	26	20,973	0.07
Due from related entities	-	-	-	-	42,003	42,003	-
Other assets	-	-	-	-	30,333	30,333	-
Total financial assets	20,947	-	-	-	72,362	93,309	
Financial liabilities							
Due to related entities	-	-	-	-	4,060	4,060	-
Other payables	-	-	-	-	32,272	32,272	-
Loans payable	-	-	-	2,579,553	-	2,579,553	7.45
Total financial liabilities	-	-	-	2,579,553	36,332	2,615,885	
On-statement-of-financial-position gap, being total interest rate sensitivity gap	20,947	-	-	(2,579,553)	36,030	(2,522,576)	
Cumulative gap	20,947	20,947	20,947	(2,558,606)	(2,522,576)	-	

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 movement is monitored using the impact on profit and reserves of a reasonably possible change in interest rates at the reporting date, as set out in the following scenarios:

	Increase in interest rate	**Decrease in interest rate**
J$ denominated instruments	300 basis points	50 basis points
US$ denominated instruments	150 basis points	50 basis points

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			
	2023		2022	
	Increase	Decrease	Increase	Decrease
	$'000	$'000	$'000	$'000
Other comprehensive income	(3,805,483)	2,321,103	(6,685,773)	2,518,619

The Company has no financial instruments carried at fair value. Therefore, a change in interest rate will not impact the carrying value of the Company's financial instruments.

38. Financial risk management (continued)

(d) Market risk (continued):

Management of market risk (continued)

(i) Interest rate risk (continued):

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 (2022: None).

(ii) Equity price risk

Equity price risk arises from equity instruments measured 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 or 6% (2022:5%) decrease in quoted bid prices of the portfolio of equity investments at the reporting date would have the following impact.

	Group	
	Effect on profit	
	Increase	Decrease
	$'000	$'000
March 31, 2023		
Change in value of equity	16,513	16,513
March 31, 2022		
Change in value of equity	13,786	13,786

(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.

JN FINANCIAL GROUP LIMITED

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

38. Financial risk management (continued)

(d) Market risk (continued):

Management of market risk (continued)

(iii) Foreign currency risk (continued):

The Group ensures that the net exposure is kept to an acceptable level by daily monitoring its cost of funds against market prices 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 dollar	3,091	483	(6)	23
Canadian dollar	(1,996)	5,957	-	-
Pound sterling	(8,826)	(3,728)	(27)	10
Euro	179	1,749	-	-
Cayman dollar	5,967	6,359	-	-

The Bank of Jamaica's weighted average exchange rates ruling at the year-end are shown at [note 44(q)].

Sensitivity to exchange rate movements:

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

	Group				Company			
	2023		2022		2023		2022	
	$'000		$'000		$'000		$'000	
	4%	1%	8%	2%	4%	1%	8%	2%
United States dollar	18,608	(4,637)	5,922	(1,483)	(36)	9	282	(71)
Canadian dollar	(8,942)	2,236	58,796	(14,714)	-	-	-	-
Pounds sterling	(66,018)	16,505	(59,797)	14,949	(202)	50	160	(40)
Euro	1,192	(299)	26,200	(6,541)	-	-	-	-
Cayman dollar	43,917	(10,979)	85,211	(21,303)	-	-	-	-

(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 generally accepted standards of corporate behaviour and legal and regulatory requirements.

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.

38. Financial risk management (continued)

(e) Operational risk (continued):

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

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

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

- risk policies/guidelines for assisting management to understand the ways in which risks can be measured, managed, identified and controlled;
- appropriate segregation of duties, including the independent authorisation of transactions;
- reconciliation and monitoring of transactions;
- 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's Risk and Compliance Unit conducts frequent operational risk reviews of business lines in keeping with established policies and is supported with independent reviews undertaken by Group Internal Audit. The results of all operational risk reviews are discussed with the management of the business unit to which they relate and the recommendations and required actions agreed. Summaries of the operational risk reviews are submitted to the 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 subsidiaries

The main regulator of the local subsidiary is the Bank of Jamaica, which monitors compliance with the capital requirements for JN Bank Limited. The subsidiary'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.

38. Financial risk management (continued)

(f) Capital management (continued):

Regulatory capital (continued)

Banking subsidiaries (continued)

The Bank of Jamaica requires the subsidiary to maintain the prescribed ratio of total capital to total risk weighted assets of 10% (2022: 10%). The actual ratio of total regulatory capital to total risk weighted assets at March 31, 2023 was 15.2% (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 PRA. The PRA sets and monitors the UK banking subsidiary'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 above the minimum capital requirement under Base III of 8% of risk weighted assets. A key input to the TCR setting process is the UK banking subsidiary'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 banking subsidiary met the regulatory requirements for the reporting years ended March 31, 2023 and March 31, 2022.

General insurance 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 subsidiary

The subsidiary's regulator is the FSC, which monitors the capital requirements for the subsidiary. The FSC requires the subsidiary to maintain a minimum capital of $150,000,000. The subsidiary is in compliance with this capital requirement.

38. Financial risk management (continued)

(f) Capital management (continued):

Regulatory capital (continued)

Life insurance subsidiary (continued)

To assist in evaluating the current business and strategic opportunities, a risk-based approach is taken to measuring 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 subsidiary 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 (%)	277.1%	309.7%

Investment management subsidiary

The investment management subsidiary's regulator is the FSC, which monitors the subsidiary's regulatory capital position. The FSC's benchmark capital ratios and the ratios attained by the subsidiary for the current and prior years 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 of 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 qualifying capital expressed as a percentage of total assets:	Minimum of 6%	15.29%	12.07%

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

Direct foreign subsidiary

A direct 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 subsidiary's financial statements. Under capital adequacy guidelines used by CIMA, the direct subsidiary must meet specific capital guidelines that involve quantitative measures of its assets, liabilities, and certain off-statement-of-financial-position items as calculated under regulatory accounting practices. The direct subsidiary's regulatory capital amounts and classification are also subject to qualitative judgements by CIMA about components and risk weightings.

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

38. Financial risk management (continued)

(f) Capital management (continued):

Regulatory capital (continued)

Direct foreign subsidiary (continued)

As at March 31, 2023 and 2022, the direct 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 subsidiaries

The Bank of Jamaica requires the subsidiary to maintain a net worth of US$0.01 million or its equivalent in Jamaica dollars. The 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$0.03 million (2022:CI$0.03 million). The indirect subsidiary net worth as at March 31, 2023 was CI$4.06 million (2022: CI$5.48 million).

The regulatory capital requirements for the indirect subsidiary registered in USA is described at note 8(iv).

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

An indirect subsidiary, which is regulated by 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.

39. 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 44(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.

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) and fair values of financial assets, including their levels in the fair value hierarchy. Where the carrying amounts of financial assets are measured at fair value, their levels in the fair value hierarchy are also shown. Where the carrying amounts of financial assets are not measured at fair value, and those carrying amounts are a reasonable approximation of fair value, fair value information (including amounts and levels in the fair value hierarchy) is not disclosed.

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.

39. Fair value of financial instruments (continued)

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

	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 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	-	-	266,399	-	266,399	-	266,399	-	266,399
Promissory note	-	49,829	-	-	49,829	-	49,829	-	49,829
	-	78,118,808	713,597	-	78,832,405	722,420	78,109,985	-	78,832,405

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

	Amortised cost	Fair value through other comprehensive income	Fair value through profit or loss	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value:									
Cash and cash equivalents	30,738,356	-	-	-	30,738,356	-	30,738,356	-	30,738,356
Securities purchased under resale agreements	3,376,094	-	-	-	3,376,094	-	6,285,080	-	6,285,080
Investments	92,017,305	-	-	-	92,017,305	-	92,017,305	-	92,017,305
Loans	145,030,914	-	-	-	145,030,914	-	-	145,030,914	145,030,914
Other assets	8,930,202	-	-	-	8,930,202	-	-	8,930,202	8,930,202
Due from related parties	163,731	-	-	-	163,731	-	-	163,731	163,731
Total financial assets	280,256,602	-	-	-	280,256,602	-	129,040,741	154,124,847	283,165,588

39. Fair value of financial instruments (continued)

The following table sets out the fair values of financial instruments not measured at fair value and analysis them by the level in the fair value hierarchy into which each value measurement is categorised (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	-	-	-	202,871,201	202,871,201	-	-	202,871,201	202,871,201
Due to related entities	-	-	-	554,187	554,187	-	-	554,187	554,187
Securities sold under repurchase agreements	-	-	-	30,394,760	30,394,760	-	-	30,394,760	30,394,760
Margin loan	-	-	-	2,086,716	2,086,716	-	-	2,086,716	2,086,716
Other payables	-	-	-	6,990,992	6,990,992	-	-	6,990,992	6,990,992
Lease liability	-	-	-	950,020	950,020	-	-	950,020	950,020
Loans payable	-	-	-	7,249,631	7,249,631	-	-	7,249,631	7,249,631
	-	-	-	253,578,532	253,578,532	-	-	253,578,532	253,578,532

	Group 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 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	-	-	309,832	-	309,832	-	309,832	-	309,832
Promissory note	-	50,204	-	-	50,204	-	50,204	-	50,204
	-	83,752,555	1,768,320	-	85,520,875	1,734,209	83,786,666	-	85,520,875

39. Fair value of financial instruments (continued)

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

	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 and cash equivalents	33,107,574	-	-	-	33,107,574	-	33,107,574	-	33,107,574
Securities purchased under resale agreements	14,716,900	-	-	-	14,716,900	-	18,389,050	-	18,389,050
Investments	99,769,306	-	-	-	99,769,306	-	99,769,306	-	99,769,306
Loans	130,469,962	-	-	-	130,469,962	-	-	130,469,962	130,469,962
Other assets	6,400,357	-	-	-	6,400,357	-	-	6,400,357	6,400,357
Due from related parties	94,506	-	-	-	94,506	-	-	94,506	94,506
Total financial assets	284,558,605	-	-	-	284,558,605	-	151,265,930	136,964,825	288,230,755
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	-	-	-	194,214,339	194,214,339	-	-	194,214,339	194,214,339
Due to related entities	-	-	-	283,103	283,103	-	-	283,103	283,103
Securities sold under repurchase agreements	-	-	-	34,745,021	34,745,021	-	-	34,745,021	34,745,021
Margin loan	-	-	-	6,691,624	6,691,624	-	-	6,691,624	6,691,624
Lease liability	-	-	-	910,046	910,046	-	-	910,046	910,046
Long-term loan	-	-	-	18,235,668	18,235,668	-	-	18,235,668	18,235,668
	-	-	-	259,358,888	259,358,888	-	-	259,358,888	259,358,888

39. 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, treasury bills	• 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.

40. 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

40. 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 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 re-insurers 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 41.

(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.

40. 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.
Life	Life insurance contracts insure human life for death, critical illness or permanent disability over short and long durations. These insurance contracts protect the policy holder 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.

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Notes to the Financial Statements (Continued)
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40. 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
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 of 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.

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.

(d) Risk exposure and concentrations of risk:

The following table shows the company's exposure to general insurance risk (based on the carrying value of claims provision at the reporting date) per major category of business.

	Liability $'000	Property $'000	Motor $'000	Other $'000	Total $'000
At 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	22,617	2,873,190
Net of reinsurance	255,928	23,210	2,361,464	11,529	2,652,131

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Notes to the Financial Statements (Continued)
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40. Insurance risk management (continued)

(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 develop 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	2018	2019	2020	2021	2022	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'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

(f) Reinsurance limits for general and life insurance subsidiaries for years ended 2022 and 2021.

(i) For the general insurance subsidiary, 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) and Engineering Quota Share and Surplus is $6.89 billion (2021: $6.25 billion), and Catastrophe Excess of Loss is $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$17.5 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$0.90 million (2021: US$0.90 million) for property claims; US$0.09 million (2021: US$0.06 million) on contractors all risks and other engineering exposures; $27.5 million (2021: $25 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.

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Notes to the Financial Statements (Continued)
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40. Insurance risk management (continued)

(f) Reinsurance limits for general and life insurance subsidiaries (continued)

(ii) In the life insurance subsidiary, coverage in excess of the below 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 limits used by the Group are summarised below:

Types 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

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

	2022		
Band $'000	Total amount $'000	Total amount reinsured $'000	Total amount retained $'000
0 - 1,000	12,696	25	12,671
1,000 - 2,000	11,189	29	11,160
2,000 - 5,000	40,303	971	39,332
5,000 - 10,000	30,157	6,732	23,425
10,000 and over	30,408	19,235	11,173
	124,753	26,992	97,761

	2021		
Band $'000	Total amount $'000	Total amount reinsured $'000	Total amount retained $'000
0 - 1,000	9,243	202	9,041
1,000 - 2,000	7,377	407	6,970
2,000 - 5,000	22,208	1,645	20,563
5,000 - 10,000	38,362	4,154	34,208
10,000 and over	34,452	16,470	17,982
	111,642	22,878	88,764

41. 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 significant 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 40(a)].

(b) Secondly, the risk is managed through the use of reinsurance [note 40(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.

42. Commitments

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

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

(ii) Capital commitments for capital expenditure amounting to $37.36 million (2022: $233.52 million).

(iii) Sponsorship commitments:

Commitments for sponsorship expenditure amounted to $79.5 million (2022: $42 million).

(b) The Company has pledged its commitment to provide financial support, if required, to fund the activities of one (2022: one) of its subsidiaries for 12 months from the date of signing of the financial statements. The commitment includes total capital injection, up to March 31, 2024, of £13 million for the foreign banking subsidiary [note 47(a)].

43. 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 should not be significant.

43. Contingent liabilities (continued)

(ii) In the ordinary course of business, the general insurance 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 Group'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 should an assuming reinsurer be unable to meet its obligations [note 44(n)(ii)].

44. Significant accounting policies

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

(a) Financial assets and financial liabilities

(i) Recognition and initial measurement

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

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

44. 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:

[i] the Group's business model for managing the asset; and
[ii] 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 38(b). Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

44. 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 (FVTPL)*: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instrument that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement 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 revenue' 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. 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.

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Notes to the Financial Statements (Continued)
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44. 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):

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 assets, 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 payment 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.

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.

44. Significant accounting policies (continued)

(a) Financial assets and financial liabilities (continued)

(ii) Classification and subsequent measurement (continued)

A. Financial assets (continued)

2) Equity instruments (continued)

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 profit or loss.

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.

(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.

44. Significant accounting policies (continued)

(a) Financial assets and financial liabilities (continued)

(iii) Measurement methods (continued)

Amortised cost and effective interest rate (continued)

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 38(b)(ii)2)] 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, 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.

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.

44. Significant accounting policies (continued)

(a) Financial assets and financial liabilities (continued)

(iv) Derecognition of financial assets and financial liabilities (continued)

Financial assets (continued)

Where the Group enters into transactions and 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.
- 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.

44. 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 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.

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.

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

44. Significant accounting policies (continued)

(a) Financial assets and financial liabilities (continued)

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

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

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

(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.

44. Significant accounting policies (continued)

(a) Financial assets and financial liabilities (continued)

(vii) Recognition and measurement of financial guarantee contracts and loan commitments (continued)

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.

(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 44(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 that are managed by the Group on the basis of the net exposure to either market or credit risk and 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.

44. Significant accounting policies (continued)

(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.

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.

44. 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] Transactions eliminated on consolidation

Intra-group balances and transactions, and 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 44(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.

JN FINANCIAL GROUP LIMITED

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

44. Significant accounting policies (continued)

(d) Property, plant and equipment (continued):

Property, plant and equipment, with the exception of artwork and freehold land, on which no depreciation is charged, 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.

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

Securities purchased under resale agreements ("Reverse repos") and securities sold under repurchase agreements ("Repos") 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.

44. Significant accounting policies (continued)

(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 measured 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.

Expenditure on intangible assets subsequent to 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 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

44. Significant accounting policies (continued)

(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 re-measurement 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.

(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.

44. Significant accounting policies (continued)

(k) Employee benefits (continued):

[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 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, they are discounted.

44. Significant accounting policies (continued)

(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.

(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 transactions.

For the life insurance subsidiary, the insurance contracts insure human life for death or permanent disability over short and long durations. These life insurance contracts protect the policy holder 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 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.

44. Significant accounting policies (continued)

(n) Insurance contract recognition and measurement (continued):

[i] Insurance contracts (continued)

Gross written premiums (continued)

For the life insurance 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.

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 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 subsidiaries involved. The loss and loss expense reserves have been reviewed by the subsidiary’s actuary using the 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 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.

44. Significant accounting policies (continued)

(n) Insurance contract recognition and measurement (continued):

[ii] Reinsurance assets

In the ordinary course of business, the insurance 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 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 in the event that an assuming reinsurer is unable to meet its obligations [see note 43(ii)].

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 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 income 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.

44. Significant accounting policies (continued)

(p) Taxation (continued):

[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 surplus or deficit, and differences relating to investments in subsidiaries, to the extent that it is probable that they will not reverse in the foreseeable future.

A deferred income 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$187.2076) and Cayman Dollar 1.00 = J$184.1097 (2022: J$167.4927). Transactions in foreign currencies are converted at the rates of exchange ruling on the dates of those transactions.

Realised and unrealised gains and losses arising from fluctuations in exchange rates are included in profit or loss, except for differences arising on the re-translation of FVOCI equity investments [note 44(b)] and foreign operations.

44. Significant accounting policies (continued)

(q) Foreign currencies (continued):

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 revenue and expenses 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)].

(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, other matters required by IFRS 9 to be taken into account in computing expected credit losses (as set out in note 38 (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 the local banking subsidiary at levels in excess of the minimum ½% established by the Bank of Jamaica.

IFRS 9 only permits specific loan loss provision based upon the Group's actual credit loss experience. It also requires that the expected future cash flows of impaired loans be discounted and the increase in the present value be reported as interest income. The credit loss 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 provision).

44. Significant accounting policies (continued)

(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 that asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

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 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.

44. Significant accounting policies (continued)

(u) Leases (continued):

[i] The Group as lessee (continued)

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.

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.

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 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.

44. Significant accounting policies (continued)

(u) Leases (continued):

[i] The Group as lessee (continued)

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 obligations as ‘lease liabilities’.

[ii] The Group as 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.

Money transfer fees are recognised when funds are transmitted on behalf of customers. Foreign exchanges fees are recognised as earned based on the value remittances.

The accounting policies for the recognition of revenue from insurance contracts in respect of gross premiums written are disclosed in note 44(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 44(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 44(s).

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Notes to the Financial Statements (Continued)
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44. 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.*
Servicing fees	The Group 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 Group provides services to its clients based on duly executed client agreements. Performance obligation is satisfied upon completion of service agreed with client to client's satisfaction. Fees are charged on a monthly basis and are based on fixed rates agreed. Other subsidiaries recognise fees and commission as the related services are performed in accordance with agreed terms.	Revenue from service fees is recognised over time as agreed services are provided. Revenue from fees and commission are recognised when the entity transfers control over a service to a customer.
Money transmitting	Considered performance obligation is satisfied when the Group 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 are earned when the Group 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 Group transacts bill payment services on behalf of customers.	Revenue is recognised at the point in time that the transactions are completed.

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Notes to the Financial Statements (Continued)
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44. Significant accounting policies (continued)

(w) Fees and commission (continued):

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 (continued):

Type of service	*Nature and timing of satisfaction of performance obligations, including significant payment terms.*	*Revenue recognition under IFRS.*
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 obligation is satisfied when the syndication services have been provided by the local banking subsidiary to, and accepted by, the 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 recognized at the successful execution of each transaction.
Administrative fees	The Group's investment 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 service is 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 services is recognised over time as the service is provided.
Asset management fees	The Group's investment subsidiary provides portfolio and investment management services to its clients based on duly executed client agreements. Performance obligation is satisfied, and fees earned when service is delivered to and accepted by clients in accordance with agreements. Fees are charged on a monthly basis and are based on fixed rates agreed.	Revenue from service fees is recognised over time as the services are provided.

44. Significant accounting policies (continued)

(w) Fees and commission (continued):

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 (continued):

Type of service	*Nature and timing of satisfaction of performance obligations, including significant payment terms.*	*Revenue recognition under IFRS.*
Corporate Finance & Advisory fees	Performance obligation is satisfied when the advisory services are provided by the Group 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.

(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 which were in issue were not effective at the reporting date and had not been early-adopted by the Group. The Group has assessed the relevance of all such standards and amendments to standards and has determined that the following are likely to be relevant to its operations:

- Amendments to IFRS 17, *Insurance Contracts*, effective for annual reporting periods beginning on or after January 1, 2023 and provides 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.

  - 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.

44. Significant accounting policies (continued)

(x) New and amended standards and interpretations that are not yet effective (continued):

- Amendments to IFRS 17 *Insurance Contracts,* (continued)

  - 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 amendment will have on its financial statements.

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

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

  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 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.

44. 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 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 financial statements.

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

44. Significant accounting policies (continued)

(x) New and amended standards and interpretations that are not yet effective (continued):

- Amendments to IAS 12 *Income Taxes* (continued)

  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 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 contracts 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.
  - Separates specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts.
  - Recognises and measures groups of insurance contracts at:

    a) the risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset)

44. Significant accounting policies (continued)

(x) New and amended standards and interpretations that are not yet effective (continued):

- IFRS 17, *Insurance Contracts,* (continued)

  The key principles in IFRS 17 are that an entity (continued):

  - Recognises and measures groups of insurance contracts at (continued):

    b) an amount representing the unearned profit in the group of contracts (the contractual service margin)

  - Recognises the profit from a group of insurance contracts over the period the entity provides insurance cover, and as the entity is released from risk. If a group contract is or becomes loss making, an entity recognizes the loss immediately.
  - Presents separately insurance revenue (that excludes the receipt of repayment of any investment components) and insurance finance income or expenses;
  - Includes an optional simplified measurement approach, or premium allocation approach, for simpler insurance contracts where the coverage period is less than a year or where there are no significant expected changes in estimates before the claims are incurred.

  Many of the disclosures of IFRS 4 are kept in IFRS 17. The general model requires disclosure and reconciliation of the expected present value of future cash flows, risk adjustment and contractual service margin. No reconciliation is required under the variable fee approach.

  For the Group, the date of initial application is April 1, 2023 as the Group and its life and general insurance subsidiaries have non-coterminous reporting periods and an entity adopts IFRS 17 at the beginning of the annual reporting period on or after January 1, 2023.

  For the life and general insurance subsidiaries, the date of initial application is January 1, 2023. The first financial statements applying IFRS 17 for both insurers will be as at December 31, 2023, with comparative financials as at December 31, 2022.

  Estimated impact of the adoption of IFRS 17 and IFRS 9

  The Group is assessing the estimated 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 significant impact on financial statementS 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,

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Notes to the Financial Statements (Continued)
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44. Significant accounting policies (continued)

(x) New and amended standards and interpretations that are not yet effective (continued):

- IFRS 17, *Insurance Contracts,* (continued)

  - is continuing to refine the new accounting processes and internal controls required for applying IFRS 17 and IFRS 9;
  - 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 that include the date of initial application.

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.

The Group issues insurance contracts and hold reinsurance contracts. The Group also issues reinsurance contracts. No investment contracts with discretionary participation feature (DPF) are issued. 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.

44. 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 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.

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

44. 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)

- 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 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.

- **Reinsurance contracts**

IFRS 17 requires reinsurance held to be measured and reported separately from the underlying insurance contracts. Reinsurance contracts have been allocated to portfolios 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.

44. Significant accounting policies (continued)

(x) New and amended standards and interpretations that are not yet effective (continued):

- IFRS 17, *Insurance Contracts,* (continued)

iii) Cash flows and contract boundaries (continued)

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 44(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.

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 44(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.

44. 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)

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.

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

44. 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)

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 life insurance subsidiary 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

The Group holds reinsurance on its 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.

44. 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)

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 balance sheet 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 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 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

44. 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)

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.

44. Significant accounting policies (continued)

(x) New and amended standards and interpretations that are not yet effective (continued):

- IFRS 17, *Insurance Contracts,* (continued)

vii) Estimates of future cash flows (continued)

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.

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
- 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).

JN FINANCIAL GROUP LIMITED

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

44. Significant accounting policies (continued)

(x) New and amended standards and interpretations that are not yet effective (continued):

- IFRS 17, *Insurance Contracts,* (continued)

viii) Risk adjustment (continued)

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.

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 by 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.

44. Significant accounting policies (continued)

(x) New and amended standards and interpretations that are not yet effective (continued):

- IFRS 17, *Insurance Contracts,* (continued)

ix) Presentation and disclosure (continued)

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.

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.

44. Significant accounting policies (continued)

(x) New and amended standards and interpretations that are not yet effective (continued):

- IFRS 17, *Insurance Contracts,* (continued)

x) Transition (continued)

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.

45. Distribution to equity shareholder

	2023	2022
	$'000	$'000
Dividends paid	-	150,000

In the prior year, the directors of the Company declared total interim dividends of $150 million. No dividends were declared during the current year.

Interim dividends paid to non-controlling interest was $0.017 million (2022: $0.024 million) declared at a Board of Directors meeting of a subsidiary held December 22, 2022 (2022: March 11, 2022).

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.

46. Impact of COVID-19 and Russia/Ukraine war considerations (continued)

The Group continues to actively monitor and manage risks identified from the global macroeconomic environment due to Covid 19 and the Russia/Ukraine war, other external shocks and potential financial market uncertainty or instability in the markets in which the Group operates. The capital of the Company and its subsidiaries have been strengthened to deal with significant risks arising from these threats.

47. Subsequent events

(a) Injection of capital

On May 31, 2023 and August 31, 2023, the Company 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 to inject capital aggregating £6 million into the foreign banking subsidiary on May 31, 2023 and August 31, 2023, respectively, out of a commitment of £13 million for the financial year [note 42(b)]. 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.

(b) On May 31, 2023 and August 31, 2023, unsecured debt of US$1.3 million and J$100 million, respectively, were issued by the Company to a related party. These facilities bear interest at rates of 2.5% and 11.75%, respectively, and are due for repayment within 12 months.

(c) 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.