Financial STATEMENTS 2023

NATIONAL COMMERCIAL BANK JAMAICA LIMITED

Financial STATEMENTS

September 30, 2023

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Notes to the Financial Statements

Independent auditor's report

To the Members of National Commercial Bank Jamaica Limited

Report on the audit of the consolidated and stand-alone financial statements

Our opinion

In our opinion, the consolidated financial statements and the stand-alone financial statements give a true and fair view of the consolidated financial position of National Commercial Bank Jamaica Limited (the Bank) and its subsidiaries (together 'the Group') and the stand-alone financial position of the Bank as at September 30, 2023, and of their consolidated and stand-alone financial performance and their consolidated and stand-alone cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and with the requirements of the Jamaican Companies Act.

What we have audited

The Group's consolidated and stand-alone financial statements[1] comprise:

- the consolidated statement of financial position as at September 30, 2023;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the bank statement of financial position as at September 30, 2023;
- the bank income statement for the year then ended;
- the bank statement of comprehensive income for the year then ended;
- the bank statement of changes in equity for the year then ended;
- the bank statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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 *Auditor's responsibilities for the audit of the consolidated and stand-alone financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our audit approach

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and stand-alone financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We determined the scope of our audit by first considering the internal organisation of the Group and then identifying the components of the audit that have the most significant impact on the consolidated financial statements. The Group comprised 17 reporting components of which we selected 5, which mainly represent the principal business units within the Group and are located in Jamaica, Cayman Islands, and Barbados. Full scope audits were performed for 4 components, while audits of one or more financial statement line items were performed for 1 component. The audit work performed covered 91% of the Group's total assets and 93% of total revenue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and stand-alone financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and stand-alone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters, as it pertains to the stand-alone financial statements, in our report.

Key audit matter	How our audit addressed the key audit matter
IFRS 9 'Financial Instruments' – Probabilities of Default, Forward Looking Information and Significant Increase in Credit Risk (Group and Bank) See notes 2 (g) 2(j), 17 and 18 to the financial statements for disclosures of related accounting policies, judgements, estimates and balances.	
As at September 30, 2023, the Group's loans and advances totalled \$476 billion. The Group's investment securities measured at amortised cost and fair value through other comprehensive income (FVOCI) totalled \$516 billion. The resultant impairment recorded under the expected credit loss (ECL) impairment model amounted to \$10.5 billion for loans and advances and \$85 million for debt securities. In aggregate, the above exposures represent 81% of total assets at the reporting date. In assessing impairment, IFRS 9 prescribes a forward looking ECL impairment model which takes into account reasonable and supportable forward looking information as well as probabilities of default (PD). PDs represent the likelihood of a borrower defaulting on its obligation over the next twelve months or over the remaining lifetime of the obligation. The twelve month and lifetime PDs are determined differently for loans and investments. For investment securities, which include debt securities comprising sovereign and corporate securities, PDs are developed by reference to external data collated by Standard & Poor's (S&P) with adjustments for industry and country specific risks, where appropriate. For loans and advances, management developed PDs based on the Group's specific historical default rates for each industry classification. In performing historical analyses, management identified economic variables impacting credit risk and ECLs for each portfolio.	Our approach to addressing the matter, with the assistance of our valuation specialist, involved the following procedures, amongst others: • Updated our understanding of management's ECL model including any changes to source data and assumptions. • Tested the completeness of all loans and advances and debt securities to determine whether all items were included in the ECL models by agreeing the models to detailed loans and securities listings. • Evaluated the reasonableness of management's judgements pertaining to PD, SICR and forward looking information, including macro-economic factors, impacting the weighting of the scenarios as follows: **Debt securities** **PD:** • Tested the critical data fields used in the ECL model, such as the maturity date, amortised cost, accrued interest, credit rating and interest rate by tracing data back to relevant source documents. • Agreed the credit ratings and historic default rates used to calculate the PDs, on a sample basis, to external sources such as external rating agencies. **SICR:** • Tested, on a sample basis, the accuracy of the initial credit risk and the credit risk at the reporting date using rating agency definitions of 'investment grade' and evaluated the appropriateness of the group classification of debt securities as Stage 2.

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Key audit matter	How our audit addressed the key audit matter
The estimation and application of forward looking information requires significant judgement. Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) which most closely correlate with credit losses in the relevant portfolio. Each macroeconomic scenario used in the ECL calculation incorporates forecasts of the relevant macroeconomic variables. In the event of a significant increase in credit risk (SICR), an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument (lifetime ECL). The consideration of days past due as well as adverse changes in a borrower's credit rating, industry or the economic environment are factors considered in determining whether there has been a SICR. The estimation of ECL in Stage 1 and Stage 2 is a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios. The base case scenario is derived from macroeconomic forecasts which are publicly available. Upside and downside scenarios are set relative to the base case scenario adjusted for reasonably possible alternative macroeconomic conditions. We focused on this area due to the complexity of the techniques used to determine PDs and the number of significant judgements made by management regarding SICR and possible future economic scenarios as it pertains to debt securities and loans and advances.	• Performed an independent qualitative assessment for a sample of borrowers to determine if there was any adverse public information affecting the criteria used to perform the staging. **Loans and advances** PD: • Tested the critical data fields used in the ECL model for the PD determination, such as default date, effective interest rate, write-off data, and loan type by tracing data back to source documents. • Reperformed the calculation of days past due, a key data input into the PD parameter, in the Group's banking system on a sample basis. SICR: • Evaluated staging of loans and advances and compared our results to those identified and classified by management. **Forward Looking Information (Debt Securities & Loans and advances)**: • Assessed the reasonableness of the Group's methodology for determining economic scenarios considering industry and component specific facts and circumstances within each of the jurisdictions that the Group operates. • Evaluated the reasonableness of the increase in the weighting used for the worst case scenario by agreeing the forward looking economic information to external sources published or pronounced by reputable third parties. • Sensitized the probability weightings used in the ECL calculation. The results of our procedures indicated that the assumptions used by management for determining the probability of default, significant increase in credit risk and forward looking information were not unreasonable.

Key audit matter	How our audit addressed the key audit matter
Valuation of unquoted corporate debt and government securities classified as fair value through profit or loss, fair value through other comprehensive income and pledged assets (Group and Bank). *See notes 3, 19 and 40 to the financial statements for disclosures of related accounting policies, judgements, estimates and balances.* As at September 30, 2023, unquoted corporate debt and government securities classified as investment securities at fair value through profit or loss, fair value through other comprehensive income, and pledged assets together account for $64 billion or 5% of total assets of the Group. These securities are classified and disclosed as Level 3 within the fair value hierarchy as one or more of the significant inputs is not based on observable market data. For unquoted corporate debt and government securities, management uses valuation techniques which utilise the application of a market yield curve adjusted by a risk premium to discount the contractual cash flows of the instruments. We focused on this area as the yield curve is an unobservable input requiring management's judgement and estimation, which is subject to high estimation uncertainty.	Our approach to addressing the matter, with the assistance of our valuation expert, involved the following procedures, amongst others: • Updated our understanding of management's approach to performing the fair value assessment. This included updating our understanding of the process by which management's key assumptions and methodologies were developed and assessing their appropriateness. • Tested the source data inputs used in the valuation model by performing confirmation procedures on a sample basis, and agreed the issuance date, maturity date, coupon rate and risk premium at issuance to source documentation. • Developed independent territory specific yield curves using industry data and experience and compared to management's yield curves. • Tested, on a sample basis, the contractual cash flows of the underlying securities by comparing to source documentation and evaluated the impact of any variations.

Other information

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the consolidated and stand-alone financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

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

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

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

Responsibilities of management and those charged with governance for the consolidated and stand-alone financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated and stand-alone financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and stand-alone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 consolidated and stand-alone financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and stand-alone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group or Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and stand-alone 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 auditor's report. However, future events or conditions may cause the Group or Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and stand-alone financial statements, including the disclosures, and whether the consolidated and stand-alone 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and stand-alone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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 kept, so far as appears from our examination of those records, and the accompanying consolidated and stand-alone financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

The engagement partner on the audit resulting in this independent auditor's report is Paul Williams.

PricewaterhouseCoopers

Chartered Accountants
December 22, 2023
Kingston, Jamaica

National Commercial Bank Jamaica Limited

Consolidated
Income Statement

Year ended September 30, 2023 (expressed in Jamaican dollars unless otherwise indicated)

	Note	2023 $'000	2022 $'000
Operating Income			
Interest income		71,683,566	59,747,060
Interest expense		(25,630,260)	(16,708,085)
Net interest income	5	46,053,306	43,038,975
Fee and commission income		31,457,470	27,482,683
Fee and commission expense		(9,359,737)	(7,259,415)
Net fee and commission income	6	22,097,733	20,223,268
Gain on foreign currency and investment activities	7	12,566,320	11,760,877
Credit impairment losses	10	(4,138,915)	(1,109,590)
Dividend income	8	741,142	584,483
Other operating income		487,971	3,130,603
		9,656,518	14,366,373
Net operating income		77,807,557	77,628,616
Operating Expenses			
Staff costs	9	29,615,265	23,784,803
Depreciation and amortisation		2,667,196	3,696,507
Finance cost	45	1,179,275	1,067,117
Other operating expenses	11	33,467,655	27,860,550
		66,929,391	56,408,977
Operating Profit		10,878,166	21,219,639
Share of (loss)/profit of associates	20	(21,253)	24,071
Profit before Taxation		10,856,913	21,243,710
Taxation	12	(749,367)	(4,232,458)
Net Profit		10,107,546	17,011,252

National Commercial Bank Jamaica Limited

Consolidated Statement of **Comprehensive Income**

Year ended September 30, 2023 (expressed in Jamaican dollars unless otherwise indicated)

	2023 $'000	2022 $'000
Net Profit	10,107,546	17,011,252
Other Comprehensive Income, net of tax -		
Items that will not be reclassified to profit or loss		
Remeasurement of post-employment benefit obligations	(2,561,505)	2,922,387
	(2,561,505)	2,922,387
Items that may be reclassified subsequently to profit or loss		
Currency translation gains	668,086	981,453
Expected credit losses reversals on debt instruments at fair value through other comprehensive income (FVOCI)	609,239	366,281
Changes in unrealised gains/(losses) on securities designated as FVOCI	13,475,584	(34,641,393)
Realised fair value losses on sale and maturity of securities designated as FVOCI	1,730,324	3,663,843
	16,483,233	(29,629,816)
Total other comprehensive income/(loss)	13,921,728	(26,707,429)
TOTAL COMPREHENSIVE INCOME/(LOSS)	24,029,274	(9,696,177)

National Commercial Bank Jamaica Limited

Consolidated Statement of **Financial Position**

September 30, 2023 (expressed in Jamaican dollars unless otherwise indicated)

	Note	2023	2022
		$'000	$'000
ASSETS			
Cash in hand and balances at Central Banks	13	73,563,518	63,098,040
Due from other banks	14	43,172,897	60,464,230
Derivative financial instruments	15	144,577	686,899
Reverse repurchase agreements	16	5,024,804	6,765,948
Loans and advances, net of provision for credit losses	17	465,296,454	439,160,063
Investment securities	18	273,279,033	221,252,545
Pledged assets	19	268,394,808	241,430,809
Investment in associates	20	112,083	133,336
Investment properties	21	340,498	364,846
Intangible assets	22	13,453,610	11,048,353
Property, plant and equipment	23	10,892,738	10,287,325
Right-of-use assets	45	2,440,380	2,879,379
Deferred income tax assets	24	9,447,882	14,722,744
Income tax recoverable		7,754,268	3,671,230
Letters of credit and undertaking		5,179,547	6,451,165
Other assets	25	27,784,563	26,026,054
Total Assets		1,206,281,660	1,108,442,966

National Commercial Bank Jamaica Limited

Consolidated Statement of **Financial Position** (Continued)

September 30, 2023 (expressed in Jamaican dollars unless otherwise indicated)

	Note	2023 $'000	2022 $'000
LIABILITIES			
Due to other banks	26	20,732,326	25,769,667
Customer deposits		571,781,342	539,862,250
Repurchase agreements		277,983,070	245,953,687
Derivative financial instruments		9,192	-
Obligations under securitisation arrangements	27	98,195,007	99,085,658
Other borrowed funds	28	38,545,042	25,814,489
Deferred income tax liabilities	24	39,178	79,238
Post-employment benefit obligations	30	7,608,452	3,423,005
Letters of credit and undertaking		5,179,547	6,451,165
Lease liabilities	45	2,172,041	2,654,313
Other liabilities	31	33,385,631	27,194,873
Total Liabilities		1,055,630,828	976,288,345
EQUITY			
Share capital	32	16,237,731	6,465,731
Fair value and capital reserves	33	(7,877,856)	(24,361,089)
Loan loss reserve	34	5,753,840	6,349,934
Banking reserve fund	35	6,809,960	6,773,806
Retained earnings reserve	36	75,270,000	67,170,000
Retained earnings		54,457,157	69,756,239
Total Equity		150,650,832	132,154,621
Total Equity and Liabilities		1,206,281,660	1,108,442,966

Approved for issue by the Board of Directors on December 21, 2023, and signed on its behalf by:

Bruce Bowen — Chief Executive Officer	Jacqueline DeLisser — Chief Financial Officer
Professor, the Hon. Alvin Wint OJ,CD — Lead Independent Director	Stephanie Neita — Corporate Secretary

Consolidated Statement of **Changes in Equity**

Year ended September 30, 2023 (expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital	Fair Value and Capital Reserves	Loan Loss Reserve	Banking Reserve Fund	Retained Earnings Reserve	Retained Earnings	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at October 1, 2021		6,465,731	5,268,727	2,269,374	6,701,047	65,320,000	57,009,964	143,034,843
Total comprehensive income		-	(29,629,816)	-	-	-	19,933,639	(9,696,177)
Transfer to loan loss reserve		-	-	4,080,560	-	-	(4,080,560)	-
Transfer to banking reserve fund		-	-	-	72,759	-	(72,759)	-
Transfer to retained earnings reserve		-	-	-	-	1,850,000	(1,850,000)	-
Transactions with owners of the Bank -								
Dividends paid	42	-	-	-	-	-	(1,184,045)	(1,184,045)
Balance at September 30, 2022		6,465,731	(24,361,089)	6,349,934	6,773,806	67,170,000	69,756,239	132,154,621
Total comprehensive income		-	16,483,233	-	-	-	7,546,041	24,029,274
Transfer from loan loss reserve		-	-	(596,094)	-	-	596,094	-
Transfer to banking reserve fund		-	-	-	36,154	-	(36,154)	-
Issue of shares		9,772,000	-	-	-	-	-	9,772,000
Transfer to retained earnings reserve		-	-	-	-	8,100,000	(8,100,000)	-
Transactions with owners of the Bank -								
Dividends paid	42	-	-	-	-	-	(15,305,063)	(15,305,063)
Balance at September 30, 2023		16,237,731	(7,877,856)	5,753,840	6,809,960	75,270,000	54,457,157	150,650,832

National Commercial Bank Jamaica Limited

Consolidated Statement of **Cash Flows**

Year ended September 30, 2023 (expressed in Jamaican dollars unless otherwise indicated)

	Note	2023 $'000	2022 $'000
Cash Flows from Operating Activities			
Net profit		10,107,546	17,011,252
Adjustments to reconcile net profit to net cash provided by/(used in) operating activities		37,189,871	(1,256,351)
Net cash provided by operating activities	37	47,297,417	15,754,901
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment	23	(1,701,811)	(849,059)
Acquisition of intangible asset – computer software	22	(3,979,507)	(3,869,699)
Proceeds from disposal of property, plant and equipment		99,755	3,658,441
Purchases of investment securities		(392,374,050)	(322,189,657)
Sales/maturities of investment securities		341,443,127	243,955,224
Net cash used in investing activities		(56,512,486)	(79,294,750)
Cash Flows from Financing Activities			
Proceeds from securitisation arrangements		-	45,187,455
Repayments under securitisation arrangements		(2,745,242)	(9,089,479)
Proceeds from other borrowed funds		18,956,009	8,341,830
Repayments of other borrowed funds		(6,347,103)	(4,828,656)
Due to other banks		(9,639,968)	8,699,857
Payment of principal portion of lease liabilities		(923,240)	(877,307)
Dividends paid		(5,533,063)	(1,184,045)
Net cash (used in)/provided by financing activities		(6,232,607)	46,249,655
Effect of exchange rate changes on cash and cash equivalents		782,376	4,718,216
Net decrease in cash and cash equivalents		(14,665,300)	(12,571,978)
Cash and cash equivalents at beginning of year		73,380,869	85,952,847
Cash and Cash Equivalents at End of Year		58,715,569	73,380,869
Comprising:			
Cash in hand and balances at Central Banks	13	24,661,673	19,267,723
Due from other banks	14	40,641,774	58,110,044
Reverse repurchase agreements	16	20,000	768,151
Investment securities	18	6,385,867	3,522,441
Due to other banks	26	(12,993,745)	(8,287,490)
		58,715,569	73,380,869

Bank Income **Statement**

Year ended September 30, 2023 (expressed in Jamaican dollars unless otherwise indicated)

	Note	2023 $'000	2022 $'000
Operating Income			
Interest income		56,884,691	47,708,798
Interest expense		(15,195,707)	(10,292,373)
Net interest income	5	41,688,984	37,416,425
Fee and commission income		27,749,935	23,552,307
Fee and commission expense		(9,355,903)	(7,259,372)
Net fee and commission income	6	18,394,032	16,292,935
Gain on foreign currency and investment activities	7	9,087,503	9,166,298
Credit impairment losses	10	(4,179,385)	(1,605,773)
Dividend income	8	4,946,401	4,194,647
Other operating income		394,409	3,110,145
		10,248,928	14,865,317
Net operating income		70,331,944	68,574,677
Operating Expenses			
Staff costs	9	26,252,599	20,799,414
Depreciation and amortisation		2,499,002	3,522,268
Finance cost		1,104,364	990,558
Other operating expenses	11	30,790,802	25,252,040
		60,646,767	50,564,280
Profit before taxation		9,685,177	18,010,397
Taxation	12	(1,187,541)	(4,047,539)
NET PROFIT		8,497,636	13,962,858

National Commercial Bank Jamaica Limited

Bank Statement of **Comprehensive Income**

Year ended September 30, 2023 (expressed in Jamaican dollars unless otherwise indicated)

	2023	2022
	$'000	**$'000**
Net Profit	8,497,636	13,962,858
Other Comprehensive Income, net of tax:		
Items that will not be reclassified to profit or loss		
Remeasurement of post-employment benefit obligations	(2,561,504)	2,922,387
Items that may be reclassified subsequently to profit or loss		
Expected credit reversals on debt instruments at FVOCI	372,107	46,512
Unrealised gains/(losses) on securities designated as FVOCI	13,964,843	(18,608,638)
Realised fair value losses on sale and maturity on securities designated as FVOCI	721,155	3,629,966
	15,058,105	(14,932,160)
Total other comprehensive income/(loss)	12,496,601	(12,009,773)
TOTAL COMPREHENSIVE INCOME	20,994,237	1,953,085

Bank Statement of **Financial Position**

September 30, 2023 (expressed in Jamaican dollars unless otherwise indicated)

	Note	2023	2022
`		$'000	$'000
ASSETS			
Cash in hand and balances at Central Bank	13	71,991,826	61,360,984
Due from other banks	14	34,847,289	43,748,658
Derivative Financial Instruments	15	144,577	453,987
Loans and advances, net of provision for credit losses	17	447,196,844	422,128,178
Investment securities	18	123,811,834	110,446,884
Pledged assets	19	144,402,952	127,697,823
Investment in subsidiaries		1,461,402	1,461,402
Intangible assets	22	12,697,785	10,401,810
Property, plant and equipment	23	10,891,729	10,287,342
Right-of-use-assets	45	2,208,204	2,703,968
Deferred income tax assets	24	7,256,530	12,485,117
Income tax recoverable		6,230,116	2,478,469
Letters of credit and undertaking		5,179,547	6,451,165
Other assets	25	27,997,879	22,668,099
Total Assets		896,318,514	834,773,886

National Commercial Bank Jamaica Limited

Bank Statement of **Financial Position** (Continued)

September 30, 2023 (expressed in Jamaican dollars unless otherwise indicated)

	Note	2023 $'000	2022 $'000
LIABILITIES			
Due to other banks	26	20,472,600	35,430,416
Customer deposits		532,554,213	495,038,736
Derivative financial instruments		9,192	-
Repurchase agreements		82,698,221	71,086,302
Obligations under securitisation arrangements	27	98,195,007	99,085,658
Other borrowed funds	28	17,766,199	15,573,997
Post-employment benefit obligations	30	7,608,452	3,423,005
Letters of credit and undertaking		5,179,547	6,451,165
Lease liabilities	45	2,030,727	2,466,706
Other liabilities	31	23,747,207	15,621,926
Total Liabilities		790,261,365	744,177,911
EQUITY			
Share capital	32	16,237,731	6,465,731
Fair value and capital reserves	33	(1,402,137)	(16,460,242)
Loan loss reserve	34	5,753,840	6,349,934
Banking reserve fund	35	6,512,634	6,512,634
Retained earnings reserve	36	75,270,000	67,170,000
Retained earnings		3,685,081	20,557,918
Total Equity		106,057,149	90,595,975
Total Equity and Liabilities		896,318,514	834,773,886

Approved for issue by the Board of Directors on December 21, 2023 and signed on its behalf by:

Bruce Bowen — Chief Executive Officer

Jacqueline DeLisser — Chief Financial Officer

Professor, the Hon. Alvin Wint OJ,CD — Lead Independent Director

Stephanie Neita — Corporate Secretary

National Commercial Bank Jamaica Limited

Bank Statement of **Changes in Equity**

Year ended September 30, 2023 (expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital	Fair Value and Capital Reserves	Loan Loss Reserve	Banking Reserve Fund	Retained Earnings Reserve	Retained Earnings	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at October 1, 2021		6,465,731	(1,528,082)	2,269,374	6,512,634	65,320,000	10,787,279	89,826,936
Total comprehensive income		-	(14,932,160)	-	-	-	16,885,245	1,953,085
Transfer to Retained Earnings Reserve		-	-	-	-	1,850,000	(1,850,000)	-
Transfer to Loan Loss Reserve		-	-	4,080,560	-	-	(4,080,560)	-
Transaction with owners of the Bank -								
Dividends paid	42	-	-	-	-	-	(1,184,046)	(1,184,046)
Balance at September 30, 2022		6,465,731	(16,460,242)	6,349,934	6,512,634	67,170,000	20,557,918	90,595,975
Issue of new shares		9,772,000	-	-	-	-	-	9,772,000
Total comprehensive income		-	15,058,105	-	-	-	5,936,132	20,994,237
Transfer to Retained Earnings Reserve		-	-	-	-	8,100,000	(8,100,000)	-
Transfer from Loan Loss Reserve		-	-	(596,094)	-	-	596,094	-
Transaction with owners of the Bank -								
Dividends paid	42	-	-	-	-	-	(15,305,063)	(15,305,063)
Balance at September 30, 2023		16,237,731	(1,402,137)	5,753,840	6,512,634	75,270,000	3,685,081	106,057,149

National Commercial Bank Jamaica Limited

Bank Statement of **Cash Flows**

Year ended September 30, 2023 (expressed in Jamaican dollars unless otherwise indicated)

	Note	2023 $'000	2022 $'000
Cash Flows from Operating Activities			
Net profit		8,497,636	13,962,858
Adjustments to reconcile net profit to net cash provided by/(used in) operating activities		17,688,130	(24,443,606)
Net cash provided by/(used in) operating activities	37	26,185,766	(10,480,748)
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment	23	(1,693,735)	(845,452)
Acquisition of intangible asset – computer software	22	(3,732,862)	(3,592,945)
Proceeds from disposal of property, plant and equipment		97,818	3,658,278
Purchases of investment securities		(260,098,434)	(194,465,681)
Sales/maturities of investment securities		258,970,212	145,214,409
Net cash used in investing activities		(6,457,001)	(50,031,391)
Cash Flows from Financing Activities			
Proceeds from securitisation arrangements		-	45,187,455
Repayments under securitisation arrangements		(2,745,242)	(9,089,479)
Proceeds from other borrowed funds		(4,008,391)	(3,174,016)
Repayments of other borrowed funds		6,146,499	7,222,840
Due to other banks		(9,637,141)	8,679,059
Payment of principal portion of lease liabilities		(864,131)	(807,511)
Dividends paid		(5,533,063)	(1,184,046)
Net cash (used in)/provided by financing activities		(16,641,469)	46,834,302
Effect of exchange rate changes on cash and cash equivalents		782,376	3,375,153
Net increase/(decrease) in cash and cash equivalents		3,869,672	(10,302,684)
Cash and cash equivalents at beginning of year		45,953,418	56,256,102
Cash and Cash Equivalents at End of Year		49,823,090	45,953,418
Comprising:			
Cash in hand and balances at Central Bank	13	24,519,422	19,009,737
Due from other banks	14	32,291,124	41,394,472
Investment securities	18	5,746,563	3,497,448
Due to other banks	26	(12,734,019)	(17,948,239)
		49,823,090	45,953,418

September 30, 2023 (expressed in Jamaican dollars unless otherwise indicated)

Notes to the
Financial Statements

1. Identification and Principal Activities

National Commercial Bank Jamaica Limited ("the Bank") is incorporated in Jamaica and licensed under the Banking Services Act 2014. The Bank is a wholly owned subsidiary of NCB Financial Group Limited ("NCBFG"). The ultimate parent company is Portland Holdings Inc., incorporated in Canada. Portland Holdings Inc., is controlled by Hon. Michael A. Lee-Chin, OJ, Chairman of NCBFG.

The Bank's registered office is located at 32 Trafalgar Road, Kingston 10, Jamaica.

The Bank's subsidiaries and other consolidated entities, which together with the Bank are referred to as "the Group", are as follows:

	Country of Incorporation	Principal Activities	Percentage Ownership by The Group	
			2023	2022
Data-Cap Processing Limited	Jamaica	Security Services	100	100
MSIB Limited	Jamaica	Dormant	100	100
NCB Capital Markets Limited	Jamaica	Securities Dealing and Stock Brokerage Services	100	100
NCB Capital Markets (Cayman) Ltd.	Cayman	Securities Dealing	100	100
NCB Merchant Bank (Trinidad and Tobago) Limited	Trinidad	Merchant Banking	100	100
NCB Capital Markets (Barbados) Limited	Barbados	Brokerage Services	100	100
NCB Capital Markets (Guyana) Inc.	Guyana	Inactive	100	100
NCB Capital Markets SA	Dominican Republic	Inactive	100	100
NCB (Cayman) Limited	Cayman	Commercial Banking	100	100
NCB Trust Company (Cayman) Limited	Cayman	Dormant	100	100
NCB Insurance Agency & Fund Managers Limited	Jamaica	Insurance brokerage, Investment and Pension Fund Management Services	100	100
	Jamaica	Dormant	100	100
N.C.B. (Investments) Limited	Jamaica	Dormant	100	100
N.C.B. Jamaica (Nominees) Limited	Jamaica	Dormant	100	100
NCB Remittance Services (Jamaica)	United Kingdom	Dormant	100	100
Limited NCB Financial Services UK Limited	Jamaica	Trust and Estate Management Services	100	100
West Indies Trust Company Limited	Jamaica	Dormant	100	100
NCB Employee Share Scheme				

September 30, 2023 (expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities (Continued)

The Group's associates are as follows:

	Principal Activities	Percentage ownership by The Group	
		2023	2022
Elite Diagnostic Limited	Medical Imaging Services	18.69	18.69
Mundo Finance Limited	Micro Financing	50.00	50.00

All the Group's associates are incorporated in Jamaica.

2. Significant Accounting Policies

(a) Basis of preparation

The financial statements have been prepared in accordance with, and comply with, International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of FVOCI investment securities, investment securities at fair value through profit or loss, derivative contracts and investment property.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed in Note 3.

Standards, interpretations and amendments to existing standards effective during the current year

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Group has assessed the relevance of all such new interpretations and amendments, and has adopted the following, which are relevant to its operations:

Amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on, IFRS 9 and IFRS 16, (effective for annual periods beginning on or after 1 January 2022). Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making. Annual improvements make minor amendments to, IFRS 9, 'Financial instruments' and the Illustrative examples accompanying IFRS 16, 'Leases'.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which are not effective at the date of the statement of financial position, and which the Group has not early adopted.

Amendments to IAS 1, Presentation of financial statements', on classification of liabilities, (effective for annual periods beginning on or after 1 January 2023). Amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. The Group is currently assessing the impact of this amendment.

Amendments to IAS 1, Practice statement 2 and IAS 8, (effective for annual periods beginning on or after 1 January 2023). The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. The Group is currently assessing the impact of this amendment.

Amendment to IAS 12 – deferred tax relates to assets and liabilities arising from a single transaction. (effective for annual periods beginning on or after 1 January 2023). These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences. The Group is currently assessing the impact of this amendment.

Amendment to IAS 16- Leases on sales and leaseback (effective for annual periods beginning on or after 1 January 2024). These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

2. Significant Accounting Policies (Continued)

(b) Basis of consolidation

Subsidiaries

Subsidiaries are those entities which the Group controls because the Group (i) has power to direct relevant activities of the entities that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the entities, and (iii) has the ability to use its power over the entities to affect the amount of the entities' returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the entities need to be made. The Group may have power over an entity even when it holds no ownership interests in the entity, or when it holds less than majority of voting power in an entity. In such cases, the Group exercises judgment and assesses its power to direct the relevant activities of the entity, as well as its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the entity. Protective rights of other investors, such as those that relate to fundamental changes in the entity's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intercompany transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

In the Company's stand-alone financial statements, investments in subsidiaries are accounted for at cost less impairment.

2. Significant Accounting Policies (Continued)

(b) Basis of consolidation (continued)

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. The Group's investments in associates include goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equal or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The Group determines at each reporting date whether there is any objective evidence that investments in associates are impaired. If this is the case, the Group recognises an impairment charge in the income statement for the difference between the recoverable amount of the associate and it's carrying value.

The results of associates with financial reporting year-ends that are different from the Group are determined by prorating the results for the audited period as well as the period covered by management accounts to ensure that a year's result is accounted for where applicable.

Investments in associates are accounted for using the equity method of accounting (as described above) and are initially recognised at cost.

In the Company's stand-alone financial statements, investments in associates are accounted for at cost less impairment.

2. Significant Accounting Policies (Continued)

(c) Foreign currency translation

Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Jamaican dollars ("the presentation currency"), which is the Company's functional currency.

Transactions and balances
Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions. At the date of the statement of financial position, monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate.

Exchange differences resulting from the settlement of transactions at rates different from those at the dates of the transactions, and unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognised in the income statement.

Exchange differences on non-monetary financial assets are a component of the change in their fair value. Depending on the classification of a non-monetary financial asset, exchange differences are either recognised in the income statement (applicable for trading securities), or within other comprehensive income if non-monetary financial assets are classified as FVOCI. In the case of changes in the fair value of monetary assets denominated in foreign currency classified as FVOCI, a distinction is made between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in the income statement, and other changes in the carrying amount, except impairment, are recognised in other comprehensive income.

Group companies
The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement;
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and,
- All resulting exchange differences are recognised in other comprehensive income and accumulated as a separate component of equity.

2. Significant Accounting Policies (Continued)

(d) Revenue recognition

Interest income and expense
Interest income and expense are recognised in the income statement for all interest-bearing instruments on an accrual basis using the effective interest method based on the actual purchase price. Interest income includes coupons earned on fixed income investments and accrued discount on treasury bills and other discounted instruments.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering the contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

The Group accounts for interest income on loans in accordance with Jamaican banking regulations. These regulations stipulate that, where collection of interest is considered doubtful or where the loan is in non-performing status (payment of principal or interest is outstanding for 90 days or more), interest should be taken into account on the cash basis and all previously accrued but uncollected interest be reversed in the period that collection is doubtful or the loan becomes non-performing. IFRS require that when loans are impaired, they are written down to their recoverable amounts and interest income is thereafter recognised by applying the original effective interest rate to the recoverable amount. The difference between the regulatory and IFRS bases of interest recognition was assessed to be immaterial.

Fee and commission income
Fee and commission income is generally recognised on an accrual basis when the service has been provided. Fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction.

Dividend income
Dividend income is recognised when the right to receive payment is established.

Rental Income
Rental income is recognised on an accrual basis.

Realised and unrealised investment gains and losses
Realised and unrealised gains and losses on investments measured at amortised cost or fair value through profit or loss are recognised in the consolidated statement of income in the period in which they arise.

Dividend distributions
Dividend distributions to the Parent are recognised as an appropriation in the Group's consolidated financial statements in the period in which the dividends are approved by the Bank's Board of Directors.

2. Significant Accounting Policies (Continued)

(e) Income taxes

Taxation expense in the income statement comprises current and deferred income tax charges.

Current income tax charges are based on taxable profits for the year, which differ from the profit before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The Group's liability for current tax is calculated at tax rates that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted or substantively enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is charged or credited in the income statement, except where it relates to items charged or credited to other comprehensive income or equity, in which case, deferred tax is also dealt with in other comprehensive income or equity.

(f) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise balances with less than 90 days' maturity from the date of acquisition including cash and balances at Central Banks (excluding statutory reserves), due from banks, investment securities, reverse repurchase agreements and due to banks.

2. Significant Accounting Policies (Continued)

(g) Financial assets

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

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and,
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

Business model assessment

The business models are determined at the level which best reflects how the Group manages portfolios of assets to achieve business objectives. Judgment is used in determining business models, supported by relevant and objective evidence including:

- How the performance and risks of a portfolio of assets are managed, evaluated and reported to key management and how the managers of the portfolio are compensated;
- How the Group intends to generate profits from holding the portfolio of assets;
- The past experience on how the cash flows of the portfolio of assets were collected; and,
- The historical and future expectations of asset sales within a portfolio.

The Group reclassifies debt instruments 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 infrequent.

Solely payments of principal and interest ("SPPI")

Where the business model is to collect or, to collect and sell a financial instruments' contractual cash flows, the Group assesses whether those cash flows represent SPPI. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVPL. The cash flows of financial assets which contain an embedded derivative are not disaggregated when determining whether their cash flows are solely payments of principal and interest but are considered in their entirety. Principal amounts include par repayments from lending and financing arrangements, and interest primarily relates to basic lending returns, including compensation for credit risk and the time value of money associated with the principal amount outstanding over a period of time. Interest can also include other basic lending risks and costs (for example, liquidity risk, servicing or administrative costs) associated with holding the financial asset for a period of time, and a profit margin.

Equity instruments

The Group has elected to measure equity holdings that fall under IFRS 9 at FVPL, unless they form part of a strategic acquisition that is not held for trading purposes.

Debt instruments

The Group classifies portfolios of debt instruments, including hybrid contracts, based on:

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

2. Significant Accounting Policies (Continued)

(g) Financial assets (continued)

Initial recognition
Financial assets and liabilities are recognised when the Group becomes party to a contractual provision of the instrument. At initial recognition, regular way purchase of financial assets are recorded at fair value. The carrying value of financial assets at initial recognition includes any directly attributable transaction costs. Purchases of financial assets are recognised on the date on which the Group becomes the beneficial owner of the security.

De-recognition
The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for de-recognition that is created or retained by the Group is recognised as a separate asset or liability in the consolidated statement of financial position. On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), 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 other comprehensive income ("OCI") is recognised in profit or loss.
The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Classification of financial assets
After initial recognition, financial assets are measured based on the business model and the resulting classification. As required by IFRS 9, the Group applies a principles-based approach to the classification of financial assets on its business model and the nature of the cash flows of the asset. Financial instruments are classified as either:
- FVPL;
- FVOCI; or,
- amortised cost.

Financial assets measured at fair value through profit and loss (FVPL)
Financial instruments are classified in this category if they meet one of the criteria set out below and are so designated irrevocably at inception:

- this designation removes or significantly reduces an accounting mismatch; or
- when a group of financial assets and liabilities or a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, or
- the financial instrument is held for trading purposes, or
- The financial instrument is a derivative that is not designated as a hedge.

2. Significant Accounting Policies (Continued)

(g) Financial assets (continued)

Financial assets measured at fair value through other comprehensive income (FVOCI)
Financial assets held for a business model that is achieved by both collecting and selling contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that SPPI are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains and losses, interest income and foreign exchange gains and losses 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 investment securities. Foreign exchange gains or losses are presented in gain on foreign currency and investment activities and impairment losses are presented as a separate line item in the income statement, as credit impairment losses.

Financial assets measured at amortised cost
Financial assets that are held to collect the contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are SPPI are measured at amortised cost. Any gain or loss arising on derecognition is recognised directly in profit or loss together with foreign exchange gains or losses in gain on foreign currency and investment activities. Impairment losses are presented as a separate line item in the income statement, as credit impairment losses.

Impairment of financial assets
Under IFRS 9 the Group applies an impairment model that recognises expected credit losses ("ECL") on financial assets measured at amortised cost and FVOCI and off-balance sheet loan commitments and financial guarantees which were previously provided for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

At initial recognition, an allowance (or provision in the case of some loan commitments and financial guarantees) is required for ECL resulting from default events that are possible within the next 12 months (or less, where the remaining life is less than 12 months) ('12-month ECL').

In the event of a significant increase in credit risk (SICR) an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment and are therefore considered to be in default or otherwise credit-impaired are in stage 3'.

To determine whether the life-time credit risk has increased significantly since initial recognition, the Group considers reasonable and supportable information that is available, including information from the past as well as forward-looking information. Factors such as whether payments of principal and interest are in delinquency, an adverse change in credit rating of the borrower and adverse changes in the borrower's industry and economic environment are considered in determining whether there has been a significant increase in the credit risk of the borrower.

Purchased or originated credit-impaired assets (POCI)
Financial assets that are purchased or originated at a deep discount that reflects their incurred credit losses, are considered to be already credit-impaired on initial recognition. The Group calculates the credit adjusted effective interest rate, which is based on the originated fair value instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows. The ECL of these financial assets is always measured on a lifetime basis and changes in the ECL are recorded in the Income Statement.

2. Significant Accounting Policies (Continued)

(g) Financial assets (continued)

Definition of default
The Group determines that a financial instrument is in default, credit-impaired and in stage 3 by considering relevant objective evidence, primarily whether:
- contractual payments of either principal or interest are past due for 90 days or more;
- there are other indications that the borrower is unlikely to pay such as that a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition; and,
- the financial asset is otherwise considered to be in default.

If such unlikeliness to pay is not identified at an earlier stage, it is deemed to occur when an exposure is greater than 90 days past due.

Write-offs
Financial assets (and the related impairment allowances) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, write offs generally occur after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

Recognition and Measurement of ECL
The general approach to recognising and measuring 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.

Expected credit losses are calculated by multiplying the following three main components:
- The probability of default ("PD");
- The loss given default ("LGD"); and,
- The exposure at default ("EAD"), discounted at the original effective interest rate.

Management has calculated these inputs based on the estimated forward looking economic and historical experience of the portfolios adjusted for the current point in time. A simplified approach to calculating the ECL is applied to other receivables which do not contain a significant financing component. Generally, these receivables are due within 12 months unless there are extenuating circumstances. Under this approach, an estimate is made of the life-time ECL on initial recognition. For ECL provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

The PD, LGD and EAD models which support these determinations are reviewed periodically. Therefore, the underlying models and their calibration, including how they react to forward-looking economic conditions remain subject to review and refinement. This is particularly relevant for lifetime PDs, which have not been previously used in modelling and for the incorporation of scenarios which have not generally been subject to experience gained through stress testing. The exercise of judgment in making estimations requires the use of assumptions which are subjective and sensitive to risk factors, in particular to changes in economic and credit conditions across geographical areas. Many of the risk factors have a high degree of interdependency and there is no single factor to which impairment allowances as a whole are sensitive. Therefore, sensitivities are considered in relation to key portfolios which are particularly sensitive to a few factors and these results are not extrapolated to the wider population of financial assets.

2. Significant Accounting Policies (Continued)

(g) Financial assets (continued)

The measurement of ECL for each stage and the assessment of significant increases in credit risk consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions.

For a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

For defaulted financial assets, based on management's assessment of the borrower, a specific provision of expected life-time losses which incorporates collateral recoveries is calculated and recorded as the ECL. The resulting ECL is the difference between the carrying amount and the present value of expected cash flows discounted at the original effective interest rate.

Forward looking information

The estimation and application of forward-looking information requires significant judgment. PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. Each macroeconomic scenario used in the ECL calculation has forecasts of the relevant macroeconomic variables. The estimation of ECL in Stage 1 and Stage 2 is a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios. The base case scenario is based on macroeconomic forecasts that are publicly available. Upside and downside scenarios are set relative to the base case scenario based on reasonably possible alternative macroeconomic conditions.

Scenario design, including the identification of additional downside scenarios occurs on at least an annual basis and more frequently if conditions warrant. Scenarios are probability-weighted according to the best estimate of their relative likelihood based on historical frequency and current trends and conditions. Probability weights are updated on an annual basis or more frequently as warranted. The base scenario reflects the most likely outcome and is assigned the highest weighting.

The weightings assigned to each economic scenario as at September 30, 2023 vary by jurisdiction and were as follows:

	Base	Best Case	Worst Case
Scenarios	85%	5%	10%

ECL on financial assets measured at amortised cost and FVOCI, are recognised in the income statement. For FVOCI financial assets, there is a corresponding adjustment to OCI, while for financial assets measured at amortised cost, the ECL is adjusted against the carrying amount of the asset. Unrealised gains and losses arising from changes in fair value on FVOCI assets are measured in other comprehensive income. For FVOCI assets, when the asset is sold, the cumulative gain or loss in OCI (including ECL there recognised) is reclassified to investment income in determining the gain or loss on disposal.

2. Significant Accounting Policies (Continued)

(g) Financial assets (continued)

Modification of loans
The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers and debt instruments. 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 cash flow to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a new asset at fair value and recalculates the new effective interest rate for the asset. The date of negotiation is consequently considered to be the date of initial recognition for impairment calculation purposes and the purpose of determining if there has been a significant increase in credit risk. At this point the Group will assess if the asset is POCI.

Acceptance, guarantees, indemnities, letters of credit and undertakings
Financial guarantee contracts are contracts that 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.

Loan commitments provided by the Group are measured as the amount of the loss allowance. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and 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 excepted 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 ECL is recognised as a provision.

2. Significant Accounting Policies (Continued)

(h) Derivative financial instruments

Derivatives are financial instruments that derive their value from the price of underlying items such as equities, bonds, interest rates, foreign exchange, credit spreads, commodities or other indices. Derivatives enable users to increase, reduce or alter exposure to credit or market risk. The Group transacts derivatives to manage its own exposure to interest rate and foreign exchange risks.

Derivative instruments are initially recognised at fair value on the date a derivative contract is entered into, and subsequently are re-measured at their fair value at the date of each statement of financial position. Fair values are obtained from quoted market prices and discounted cash flow models as appropriate. Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Assets and liabilities are set off where the contracts are with the same counterparty, a legal right of set off exists and the cash flows are intended to be settled on a net basis.

Gains and losses from changes in the fair value of derivatives are included in the income statement.

(i) Repurchase and reverse repurchase transactions

Securities sold under agreements to repurchase (repurchase agreements) and securities purchased under agreements to resell (reverse repurchase agreements) are treated as collateralised financing transactions. The difference between the sale/purchase and purchase/sale price is treated as interest and accrued over the life of the agreements using the effective yield method.

(j) Loans and advances and provisions for credit losses

Loans and advances are recognised when cash is advanced to borrowers. They are initially recorded at fair value and subsequently measured at amortised cost using the effective interest rate method.

When a loan is deemed uncollectible, it is written off against the related provision for credit losses. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the provision for credit losses. The amount of the reversal is recognised in the income statement.

2. Significant Accounting Policies (Continued)

(j) Loans and advances and provisions for credit losses (continued)

Provision for credit losses determined under the Bank of Jamaica (BOJ) regulatory requirements

The effect of the provision for credit losses determined under the Bank of Jamaica regulatory requirements is to preserve capital. No amounts are booked to the income statement in respect of regulatory provisions. Provisions calculated based on regulatory requirements that exceed the amounts required under IFRS are transferred from retained earnings to a non-distributable loan loss reserve in stockholders' equity.

The provision for credit losses determined under the Bank of Jamaica regulatory requirements comprises a "specific provision" and a "general provision". The specific provision is determined based on each specific loan for which problems have been identified. The general provision is considered to be prudential in nature and is established to absorb portfolio losses.

The specific provision is established for the estimated net loss for all non-performing loans and performing loans that meet specified criteria. Loans are considered to be non-performing where a principal or interest payment is contractually 90 days or more in arrears. At the time of classification as non-performing, any interest that is contractually due but in arrears is reversed from the income statement and interest is thereafter recognised in the income statement on the cash basis only. The estimated net loss is defined as the net exposure remaining after deducting the estimated net realisable value of the collateral (as defined by and determined by the regulations) from the outstanding principal balance of the loan. The regulations quantify the specific provision at ranges from 20% to 100% of each non-performing loan depending on the length of time the loan has been in arrears. In addition, where a non-performing loan is fully secured but the collateral is unrealised for a period of 12 months, a provision of 50% of the amounts outstanding should be made. Where the collateral is unrealised for a further 6 months (with limited exceptions which allow for up to a further 15 months) a full provision is made. The regulations further require that the specific provision for each loan should not be less than 1% of the amounts outstanding.

A general provision is established for all loans (other than loans for which specific provisions were established) at 1% of the amounts outstanding.

2. Significant Accounting Policies (Continued)

(k) Investment properties
Investment property is held for long-term rental yields and is, therefore, treated as a long-term investment.

Investment property is measured initially at cost, including transaction costs, and is subsequently carried at fair value, representing open market value determined annually by the directors or by independent valuators. Changes in fair values are recorded in the income statement.

(l) Intangible assets
Computer software
Costs that are directly associated with acquiring and developing identifiable and unique software products are recognised as intangible assets. These costs are amortised using the straight-line method over their useful lives, not exceeding a period of five years. Costs associated with maintaining computer software programs are recognised as an expense as incurred.

Core deposits, customer relationships and trade name
These assets are associated with the acquisition of a subsidiary and are measured at fair value as at the date of acquisition. These assets are amortised using the straight-line method over their useful lives, not exceeding a period of twenty years.

(m) Property, plant and equipment
Land and buildings are shown at deemed cost less impairment losses, and less subsequent depreciation for buildings. All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to other operating expenses during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated on the straight-line basis, unless otherwise stated, at annual rates that will write off the carrying value of each asset over the period of its expected useful life. Annual depreciation rates or periods over which depreciation is charged are as follows:

Freehold Buildings &Leasehold improvements	2% & Period of lease
Motor Vehicles, Furniture & Equipment	5% - 33 1/3%

Gains or losses on disposals are determined by comparing proceeds with carrying amounts. These are included in other operating income in the income statement.

2. Significant Accounting Policies (Continued)

(n) Impairment of long lived assets

Property, plant and equipment and intangibles are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount, which is the higher of an asset’s net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

(o) Financial liabilities

The Group’s financial liabilities comprise primarily amounts due to banks, customer deposits, repurchase agreements, obligations under securitisation arrangements, other borrowed funds, liabilities under letters of credit and undertaking and other liabilities.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

(p) Borrowings

Borrowings, including those arising under securitisation arrangements, are recognised initially at fair value, being their issue proceeds, net of transaction costs incurred. Subsequently, borrowings are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective yield method.

(q) Structured products

Structured products are recognised initially at the nominal amount when funds are received. Derivatives are separately accounted for at fair value through the income statement (Note 15). The non-derivative elements are stated at amortised cost using the effective interest method.

2. Significant Accounting Policies (Continued)

(r) Leases

The Group has changed its accounting policy for leases where the Group is the lessee.

As lessee

The Group leases various buildings and equipment. Rental contracts are typically made for fixed periods of 1-10 years but may have extension options as described below.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and,
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The right-of-use assets are presented within property, plant and equipment. Right-of-use assets are measured initially at cost comprising the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date less any lease incentive received;
- any initial direct costs; and,
- restoration costs.

Subsequently the right-of-use assets are measured at cost less accumulated depreciation and any accumulated impairment losses are adjusted for remeasurement of the lease liability due to reassessment or lease modifications.

The right of use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The amortisation period for the right-of-use assets is 1 to 10 years.

2. Significant Accounting Policies (Continued)

(r) Leases (continued)
Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the lessee's incremental borrowing rates, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Short-term leases are leases with a lease term of 12 months or less.

Low-value assets comprise computers, tablets, mobile phones and small items of office furniture.

The Group has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

(s) Provisions
Provisions are recognised when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

(t) Post-employment benefits
The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans and post-employment medical plans.

Pension benefits
The Group and its subsidiaries operate a number of retirement plans, the assets of which are generally held in separate trustee administered funds. The pension plans are funded by payments from employees and by the relevant companies, taking into account the recommendations of independent qualified actuaries. The Group has both defined benefit and defined contribution plans.

Defined benefit pension plans
A defined benefit pension plan is a plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

The amount recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates on sovereign and corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension obligation.

2. Significant Accounting Policies (Continued)

(t) Post-employment benefits (continued)

The current service cost of the defined benefit plan, included in staff costs in the income statement, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. The cost is included in staff costs in the income statement.

Past-service costs are recognised immediately in expenses.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Defined contribution pension plans

A defined contribution pension plan is a plan under which the Group pays fixed contributions into a separate fund. The Group has no legal or constructive obligations to pay further contributions. The contributions are charged to the income statement in the period to which they relate.

Other post-employment benefit obligations

The Group provides post-employment health care benefits to its retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the statement of financial position date are discounted to present value.

Annual leave

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the year end date.

Other employee benefits

The Group makes loans to employees at interest rates below the comparable market rate. The loans revert to market rate if the employee leaves either the Group or the related party company. Reduced rate employee loans are financial assets and under IFRS 9, they are initially recognised at fair value and thereafter at amortized cost. For the Group's employees, the difference between fair value and the amount of the loan is recorded as a prepaid benefit with a corresponding decrease in the carrying value of loans and advances. The benefit is recognised as an expense over the expected service life of the employee, with a corresponding increase in interest income.

2. Significant Accounting Policies (Continued)

(u) Acceptances, guarantees, indemnities, letters of credit and undertakings

Acceptances, guarantees, indemnities and letters of credit and undertakings are various forms of contractual commitments to advance funds to or on behalf of customers and include:

(i) Obligations on the part of the Group to make payments (directly or indirectly) to a designated third party contingent upon a default by the Group's customer in the performance of an obligation under the terms of that customer's contract with the third party; and
(ii) Obligations to guarantee or stand as surety for the benefit of a third party.

Where obligations under acceptances, guarantees, indemnities and letters of credit and undertakings are not considered to be contingent, the amounts are reported as a liability in the statement of financial position. There are equal and offsetting claims against customers in the event of a call on these commitments, which are reported as an asset.

Where obligations are considered to be contingent, the amounts are disclosed in Note 43.

(v) Offsetting of financial instruments

Financial assets and liabilities are offset with the net amount presented in the statements of financial position, only if the Group holds a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis or to realise assets and settle the liability simultaneously. The legal right to set off the recognised amounts must be enforceable in both the normal course of business, and in the event of default, insolvency or bankruptcy of both the Group and its counterparty. In all other situations they are presented gross. When financial assets and financial liabilities are offset in the statement of financial position, the associated income and expense items will also be offset in the income statements, unless specifically prohibited by an applicable accounting standard.

(w) Fiduciary activities

The Group acts as trustee and in other fiduciary capacities that result in holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other third parties. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

(x) Interest expense

Interest expense is computed by applying the effective interest rate based to the gross carrying amount of a financial asset (liability), except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (i.e. after deduction of the loss allowance). Interest includes coupon interest and accrued discount and premium on financial instruments.

3. Critical Accounting Estimates and Judgments in Applying Accounting Policies

The Group's financial statements and its financial results are influenced by accounting policies, assumptions, estimates and management judgment, which necessarily have to be made in the course of preparation of the financial statements.

The Group makes estimates and assumptions that may affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard.

Estimates and judgments are continuously evaluated and are based on past experience and other factors, including expectations with regard to future events. Accounting policies and management's judgments for certain items are especially critical for the Group's results and financial position due to their materiality.

Income taxes
There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for actual and anticipated tax audit issues based on estimates of whether additional taxes will be due. In determining these estimates, management considers the merit of any tax audit issues raised, based on their interpretation of the taxation laws, and their knowledge of any precedents established by the taxation authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences could materially impact the current tax and deferred tax provisions in the period in which such determination is made.

Impairment of financial assets
In determining ECL, management is required to exercise judgment in defining what is considered a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions. Further information about the judgments involved is included in the sections 'Measurement of ECL' and 'Forward-looking information'.

Establishing staging
The Group establishes staging for different categories of financial assets according to the following criteria:

Debt securities and deposits
The Group uses its internal credit rating model to determine which of the three stages an asset is to be categorized for the purposes of ECL. The Group's internal credit rating model is a scale which allows for distinctions in risk characteristics and is referenced to the rating scale of international credit rating agencies. The scale is summarised in the following table:

Internal Rating	Classification	External rating – S&P or equivalent
Low Risk	Investment Grade	AAA – BBB
Medium Risk	Non-Investment Grade	BB – B
High Risk	Non-Investment Grade	CCC - C
Default	Default	D

3. Critical Accounting Estimates and Judgments in Applying Accounting Policies (Continued)

Impairment of financial assets (continued)
For investment securities, once the asset has experienced a significant increase in credit risk the investment will move from Stage 1 to Stage 2. The Group has assumed that the credit risk of a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial asset that is investment grade is considered low credit risk. Stage 1 instruments are classified as follows:

(i) investment grade; or,
(ii) below investment grade at origination, and have not been downgraded more than 2 notches since origination.

Stage 2 instruments are assets which:

(i) have been downgraded from investment grade to below investment grade; or,
(ii) are rated below investment grade at origination and have been downgraded more than 2 notches since origination.

3. Critical Accounting Estimates and Judgments in Applying Accounting Policies (Continued)

Impairment of financial assets – Policies under IFRS 9 (continued)

Debt securities and deposits (continued)

Stage 3 instruments are assets in default where estimated future cash flows have been negatively affected.

Other assets measured at amortised cost include, lease receivables, loan commitments and financial guarantee contracts. The assessment of significant increase in credit risk for these assets requires significant judgment. Movements between Stage 1 and Stage 2 are based on whether an instrument's credit risk at the reporting date has increased significantly relative to the date it was initially recognised. For the purposes of this assessment, credit risk is based on an instrument's lifetime PD, not the losses the Bank expects to incur.

All loans receive an initial risk rating at origination. The Group has established a credit quality review process involving analysis of the ability of borrowers and other counterparties to meet interest and capital repayment obligations based on factors that include days past due ("DPD"), performance and other known material changes. Ratings of individual loans are based on the following criteria:

- Credit structure and cash flow stability;
- Specific loan and collateral characteristics;
- Guarantees and other credit support;
- Macro-economic factors; and,
- Financial and management information for commercial loans.

This assessment results in each facility being classified as "low risk", "medium risk" or "high risk". The Group considers loans that have missed a full payment cycle, to have experienced a significant increase in credit risk. The Bank assesses loans as having experienced a significant increase in credit risk if any other qualitative indicator is triggered such as, known financial difficulty, credit issue with another account, expected forbearance or restructuring. If any of these factors indicates that a significant increase in credit risk has occurred, the instrument is moved from Stage 1 to Stage 2.

The thresholds for movement between Stage 1 and Stage 2 are symmetrical. After a financial asset has migrated to Stage 2, if its credit risk is no longer considered to have significantly increased relative to its initial recognition, the financial asset will move back to Stage 1.

Forward looking information
When management determines the macro-economic factors that impact the portfolios of financial assets, they first determine all readily available information within the relevant market. Portfolios of financial assets are segregated based on product type, historical performance and homogenous country exposures. There is often limited timely macro-economic data for Caribbean markets. Management assesses data sources from local government, International Monetary Fund and other reliable data sources. A regression analysis is performed to determine which factors are most closely correlated with the credit losses for each portfolio. Where projections are available, these are used to forecast up to three years and subsequently the long term average performance is then used for the remaining life of the product. These projections are reassessed on an annual basis.

Fair value of investment securities
Management uses its judgment in selecting appropriate valuation techniques to determine fair value of investment securities. These techniques are described in Note 40.

3. Critical Accounting Estimates and Judgments in Applying Accounting Policies (Continued)

Future obligations for post-employment benefits

The cost of these benefits and the present value of the future obligations depend on a number of factors that are determined by actuaries using a number of assumptions. The assumptions used in determining the net periodic cost or income for retirement benefits include the expected long-term rate of return on the relevant plan assets, the discount rate and, in the case of health benefits, the expected rate of increase in health costs. Any changes in these assumptions will impact the net periodic cost or income recorded for retirement benefits and may affect planned funding of the pension plan. The expected return on plan assets assumption is determined on a uniform basis, considering long-term historical returns, asset allocation and future estimates of long-term investment returns. The Group determines the appropriate discount rate at the end of each year, which represents the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement benefit obligations. In determining the appropriate discount rate, the Group considered interest rate on government bonds that are denominated in the currency in which the benefits will be paid and have terms to maturity approximating the terms of the related obligations. The expected rate of increase of health costs has been determined by comparing the historical relationship of the actual health cost increases with the rate of inflation. Other key assumptions for the retirement benefits are based on current market conditions.

Interests in structured entities

Unit Trust Scheme

A subsidiary of the Group manages a Unit Trust Scheme comprising seven portfolios – the JMD Money Market Portfolio, the JMD High Yield Portfolio, the High Yield Asset and Loans Portfolio, the Caribbean Equity Portfolio, the USD Money Market Portfolio, the USD Indexed Bond Portfolio and the USD Bond Portfolio. The Unit Trust has an independent trustee. A subsidiary of the Group is the investment manager of the Unit Trust. Determining whether the Group controls the Unit Trust requires judgment. This would include a consideration of the investors' rights to remove the investment manager and an assessment of the exposure to variability arising from the aggregate economic interests of the Group in the Trust.

One of the Group's subsidiaries, as investment manager, earns income from preliminary charges ranging from 0-4% and management fees ranging from 1.5-1.75% on these Unit Trust portfolios. The Group owns 0.47% (2022 – 0.45%) of the units in the Unit Trust at September 30, 2023.

In addition, pending the availability of investments consistent with the investment objective of each portfolio, a significant portion of the Unit Trust funds are invested in cash equivalent instruments issued by the Group. These are short-term fixed rate instruments with maturities of 90 days or less, collateralised by Government of Jamaica securities, that face an insignificant risk of changes in fair value. The interest margin earned by the Group on these instruments is immaterial to the results of its operations.

Management has concluded that, although the contractual terms provide the Group with power over the Unit Trust, the Group is acting as an agent for the investors in the Unit Trust as management does not consider the Group's aggregate economic exposure and interest in the Unit Trust to be significant. Management does not believe that the investment of Unit Trust funds in cash equivalent instruments issued by the Group changes this conclusion as (i) this investment is intended to be temporary and not representative of the Unit Trust's purpose or investment objective (ii) the investment is in cash equivalent instruments subject to an insignificant risk of changes in fair value that bear interest at market rates and (iii) the investment does not expose the Group to any additional variability of returns from the Unit Trust beyond its insignificant aggregate interest through fees and unit holdings. The Unit Trust has therefore not been consolidated.

3. Critical Accounting Estimates and Judgments in Applying Accounting Policies (Continued)

Interests in structured entities (continued)

Mutual Funds

The Group manages a series of mutual funds through its trust and asset management subsidiaries, Guardian Group Trust Limited and Guardian Asset Management and Investment Services Limited. These funds invest mainly in equity securities, debt securities and cash and cash equivalents. As at the consolidated statement of financial position date, the Group has determined that it controls specific funds by virtue of an entrenched management contract. Similar to the Group's consolidation of its subsidiaries, the assets and liabilities of these funds have been consolidated in the financial statements on a line-by-line basis. The carrying value of the total investments and cash held by the funds are recorded as investment securities of mutual fund unit holders and cash and cash equivalents of mutual fund unit holders respectively on the consolidated statement of financial position. Interests held by external parties in the funds that are consolidated are recorded as third party interest in mutual funds measured at net assets value on the consolidated statement of financial position.

4. Responsibilities of the Appointed External Auditors

The shareholders pursuant to the Companies Act appoint the external auditors. The responsibility of the auditor is to conduct an independent and objective audit of the financial statements in accordance with International Standards on Auditing and report thereon to the shareholders.

National Commercial Bank Jamaica Limited
Notes to the **Financial Statements**
September 30, 2023 (expressed in Jamaican dollars unless otherwise indicated)

5. Net Interest Income

	The Group		The Bank	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Interest income				
Loans and advances	45,208,786	40,065,355	44,154,811	38,884,362
Investment securities –				
Fair value through other comprehensive income	16,887,377	18,554,633	4,269,588	7,861,969
Amortised cost	9,000,222	737,522	8,133,290	684,594
Reverse repurchase agreements	300,796	226,669	108	123,513
Deposits and other	286,385	162,881	326,894	154,360
	71,683,566	59,747,060	56,884,691	47,708,798
Interest expense				
Customer deposits	4,711,179	3,771,060	3,727,244	2,963,856
Repurchase agreements	12,277,613	7,912,690	3,903,309	2,479,137
Securitisation arrangements	5,865,349	3,589,540	5,865,349	3,589,540
Other borrowed funds and amounts due to other banks	2,776,119	1,434,795	1,699,805	1,259,840
	25,630,260	16,708,085	15,195,707	10,292,373
Net interest income	46,053,306	43,038,975	41,688,984	37,416,425

6. Net Fee and Commission Income

	The Group		The Bank	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Fee and commission income				
Commercial and consumer	5,344,052	4,437,249	5,344,052	4,410,246
Payment services	19,146,997	16,226,604	19,146,997	16,226,604
Corporate banking	1,214,052	1,225,185	1,214,052	1,225,185
Management fees	-	-	1,221,197	1,055,716
Treasury and correspondent banking	659,713	535,464	659,713	535,464
Wealth, asset management & investment banking	1,981,526	2,240,210	-	-
Insurance agency and pension fund management	2,973,903	2,664,094	-	-
Other	137,227	153,877	163,924	99,092
	31,457,470	27,482,683	27,749,935	23,552,307
Fee and commission expense				
Payment services	(9,359,737)	(7,259,415)	(9,355,903)	(7,259,372)
	22,097,733	20,223,268	18,394,032	16,292,935

7. Gain on Foreign Currency and Investment Activities

	The Group		The Bank	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Net foreign exchange gains	6,913,204	7,171,584	6,804,884	6,509,455
Gain on sale of debt securities held for trading	119,352	443,678	-	-
Gain on sale of debt securities at FVOCI	3,075,642	4,284,134	2,282,619	2,656,843
Unrealised losses on FVOCI and FVPL instruments	2,334,560	(428,334)	-	-
Interest income on FVPL instruments	105,127	61,868	-	-
Fair value (losses)/gain on revaluation of investment property (Note 21)	(30,817)	82,330	-	-
Gain on sale of equity securities	49,252	145,617	-	-
	12,566,320	11,760,877	9,087,503	9,166,298

Net foreign exchange gains include gains and losses arising from translation of assets and liabilities denominated in foreign currencies as well as those arising from foreign currency dealing activities.

8. Dividend Income

	The Group		The Bank	
	2023	**2022**	**2023**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
Subsidiaries	-	-	4,922,013	4,174,227
Other equity securities	741,142	584,483	24,388	20,420
	741,142	584,483	4,946,401	4,194,647

9. Staff Costs

	The Group		The Bank	
	2023	**2022**	**2023**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
Wages, salaries, allowances and benefits	23,713,053	19,332,122	20,937,945	17,105,950
Payroll taxes	2,407,333	1,901,257	2,151,921	1,687,507
Pension costs – defined contribution plans	678,545	566,997	585,876	498,923
Termination benefits	2,338,266	677,761	2,233,665	649,333
Staff profit share	134,876	448,965	-	-
Other post-employment benefits (Note 30)	343,192	857,701	343,192	857,701
	29,615,265	23,784,803	26,252,599	20,799,414

Wages, salaries, allowances and benefits
Included in wages, salaries, allowances and benefits are base salaries for employees. Amounts also include annual incentive and merit awards based on performance, annual and non-annual fringe benefits, including those that have been agreed based on collective bargaining with the trade unions representing staff.

Employees are categorised as permanent pensionable, contract, part-time and temporary.

10. Credit Impairment Losses

	The Group		The Bank	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Investment securities	(777,524)	(588,061)	(495,949)	(85,364)
Loans and advances (note 17)	4,916,439	1,697,651	4,675,334	1,691,137
	4,138,915	1,109,590	4,179,385	1,605,773

11. Other Operating Expenses

	The Group		The Bank	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Auditors' remuneration	163,030	152,365	76,462	68,270
Credit card rebates	1,905,058	1,756,112	1,905,058	1,756,112
Insurance and premiums	1,041,086	970,527	997,012	928,821
Irrecoverable general consumption tax and asset tax	4,825,316	4,703,277	4,352,795	4,207,566
License and transaction processing fees	1,131,798	895,695	761,337	579,584
Marketing, customer care, advertising and donations	2,523,657	2,629,844	2,167,841	2,220,436
Property, vehicle and ABM maintenance and utilities	6,433,563	5,558,269	6,216,137	5,406,017
Stationery	483,443	291,644	481,030	291,034
Technical, consultancy and professional fees	4,333,911	4,280,511	3,709,803	3,506,414
Travelling, courier and telecommunication	1,750,291	1,695,648	1,672,877	1,637,825
Management & royalty fees	5,781,000	3,723,921	5,570,067	3,585,540
Operational losses	2,265,547	601,795	2,242,989	551,417
Other	829,955	600,942	637,394	513,004
	33,467,655	27,860,550	30,790,802	25,252,040

12. Taxation

	The Group		The Bank	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Current:				
Income tax	2,913,019	5,460,632	2,259,764	4,633,829
Business levy and Green fund levy	7,962	8,262	-	-
Prior year (over)/under provision	(73,376)	370,005	(32,692)	460,366
Deferred income tax (Note 24)	(2,098,238)	(1,606,441)	(1,039,531)	(1,046,656)
	749,367	4,232,458	1,187,541	4,047,539

The tax on profit differs from the theoretical amount that would arise using the basic statutory rate of 25% for the insurance agency subsidiary, 33⅓% for the Bank and other regulated companies, 21% for the subsidiary incorporated in the United Kingdom and 25% for all other subsidiaries (with the exception of the subsidiaries incorporated in Cayman Islands). Business and Green Fund levy are in relation to our Trinidad subsidiary and are taxed at a rate of 0.6% and 0.3% of gross sales. The reconciliation of taxation is as follows:

	The Group		The Bank	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Profit before tax	10,856,913	21,243,710	9,685,177	18,010,397
Tax calculated at actual tax rates	2,854,426	6,167,615	3,228,392	6,003,466
Income not subject to tax	(3,554,445)	(3,823,127)	(1,064,578)	(2,063,529)
Expenses not deductible for tax purposes	976,094	682,149	748,924	698,123
Effect of share of profit of associates included net of tax	7,085	(8,024)	-	-
Effect of different tax rates applicable to dividend income	326,786	207,937	(1,645,098)	(1,395,152)
Deferred tax not recognised	-	17,839	-	-
Prior year (over)/under provision	(73,376)	370,005	(32,692)	460,366
Business levy & Green fund levy	7,962	8,262	-	-
Other	204,835	609,802	(47,407)	344,265
Taxation expense	749,367	4,232,458	1,187,541	4,047,539

12. Taxation (Continued)

Tax (charge)/credit relating to components of other comprehensive income is as follows:

	The Group			The Bank		
At September 30, 2023	**Before Tax $'000**	**Tax $'000**	**After Tax $'000**	**Before Tax $'000**	**Tax $'000**	**After Tax $'000**
Currency translation gains	668,086	-	668,086	-	-	-
ECL and fair value gains on FVOCI investments, net of gains recycled to profit or loss	24,428,938	(8,613,792)	15,815,146	22,606,975	(7,548,870)	15,058,105
Remeasurement of post-employment benefit obligation	(3,842,256)	1,280,752	(2,561,504)	(3,842,256)	1,280,752	(2,561,504)
Other comprehensive income	21,254,768	(7,333,040)	13,921,728	18,764,719	(6,268,118)	12,496,601
Deferred income tax (Note 24)		(7,333,040)			(6,268,118)	

	The Group			The Bank		
At September 30, 2022	**Before Tax $'000**	**Tax $'000**	**After Tax $'000**	**Before Tax $'000**	**Tax $'000**	**After Tax $'000**
Currency translation gains	981,453	-	981,453	-	-	-
ECL and fair value losses on FVOCI investments, net of gains recycled to profit or loss	(39,334,009)	8,722,740	(30,611,269)	(22,398,241)	7,466,081	(14,932,160)
Remeasurement of post-employment benefit obligation	4,383,581	(1,461,194)	2,922,387	4,383,581	(1,461,194)	2,922,387
Other comprehensive income	(33,968,975)	7,261,546	(26,707,429)	(18,014,660)	6,004,887	(12,009,773)
Deferred income tax (Note 24)		7,261,546			6,004,887	

13. Cash in Hand and Balances at Central Banks

	The Group		The Bank	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Cash in hand	23,356,187	15,501,107	23,355,406	15,500,248
Balances with central banks other than statutory reserves	1,305,486	3,766,616	1,164,016	3,509,489
Included in cash and cash equivalents	24,661,673	19,267,723	24,519,422	19,009,737
Statutory reserves with central banks – non-interest-bearing	48,901,845	43,830,317	47,472,404	42,351,247
	73,563,518	63,098,040	71,991,826	61,360,984

Statutory reserves with central banks represent the required ratio of prescribed functional and foreign currency liabilities. They are not available for investment, lending or other use by the Group.

14. Due from Other Banks

	The Group		The Bank	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Items in course of collection from other banks	(581,366)	(831,845)	(361,873)	(612,348)
Placements with other banks	45,519,163	63,921,415	35,169,366	46,986,346
	44,937,797	63,089,570	34,807,493	46,373,998
Interest receivable	2,531,122	2,354,186	2,556,164	2,354,186
Loss allowance (ECL)	(22)	-	-	-
	47,468,897	65,443,756	37,363,657	48,728,184
Less: Placements pledged as collateral for letters of credit (Note 19)	(4,296,000)	(4,979,526)	(2,516,368)	(4,979,526)
	43,172,897	60,464,230	34,847,289	43,748,658

Placements with other banks include short term fixed deposits and other balances held with correspondent banks. These balances are held to facilitate the payment of wire transfers, bank drafts, treasury related activities and to satisfy liquidity requirements.

The amounts included as cash equivalents in the statement of cash flows are as follows:

	The Group		The Bank	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Due from other banks	42,957,408	59,994,593	34,606,758	43,279,021
Less: amounts restricted to the settlement of obligations under securitisation arrangements	(2,315,634)	(1,884,549)	(2,315,634)	(1,884,549)
	40,641,774	58,110,044	32,291,124	41,394,472

15. Derivative Financial Instruments

The carrying values of derivatives for the Group and the Bank are as follows:

	The Group		The Bank	
	2023	2022	2023	2022
Assets	**$'000**	**$'000**	**$'000**	**$'000**
Forward contracts	144,577	483,987	144,577	453,987
Options	-	202,912	-	-
	144,577	686,899	144,577	453,987

Derivatives are carried at fair value in the statement of financial position as separate assets and liabilities. Asset values represent the cost to the Group of replacing all transactions with a fair value in the Group's favour assuming that all relevant counterparties default at the same time, and those transactions can be replaced instantaneously. Liability values represent the cost to the Group's counterparties of replacing all their transactions with the Group with a fair value in their favour if the Group was to default.

Equity indexed options
The derivative liability represents the equity index option element of principal protected notes issued by the Group and is carried at fair value.

The derivative asset represents equity index options purchased by the Group to match the liability. The terms of the purchased options are identical to those included in the principal protected notes issued by the Group. The Group is exposed to credit risk on purchased options to the extent of the carrying amount, which is their fair value.

16. Reverse Repurchase Agreements

The Group entered into collateralised reverse repurchase agreements which may result in credit exposure in the event that the counterparty to the transaction is unable to fulfill its contractual obligations. Included within reverse repurchase agreements is related accrued interest receivable of $59,639,000 and $Nil (2022 – $22,093,000 and $ Nil) for the Group and the Bank.

At September 30, 2023, the Group held $6,028,540,000 (2022 – $7,319,775,000) of securities, mainly representing Government of Jamaica debt securities, as collateral for reverse repurchase agreements. Of amounts received as collateral for reverse repurchase agreements, the Group has pledged $Nil (2022 – $Nil) as collateral for some of their own repurchase agreements.

Included in reverse repurchase agreements for the Group are securities with an original maturity of less than 90 days amounting to $20,000,000 and $Nil (2022 – $768,151,000 and $ Nil) which are regarded as cash equivalents for purposes of the statement of cash flows.

17. Loans and Advances

	The Group		The Bank	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Gross loans and advances, includes mortgage loans	474,645,831	446,951,349	456,494,935	430,045,028
Provision for credit losses	(10,497,994)	(8,990,976)	(10,185,931)	(8,922,049)
	464,147,837	437,960,373	446,309,004	421,122,979
Interest receivable	1,148,617	1,199,690	887,840	1,005,199
	465,296,454	439,160,063	447,196,844	422,128,178

The current portion of loans and advances amounted to $82,601,888,000 (2022 – $65,394,037,000) for the Group and $76,204,374,000 (2022 – $61,314,268,000) for the Bank.

The movement in the provision for credit losses determined under the requirements of IFRS is as follows:

	The Group		The Bank	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Balance at beginning of year	8,990,976	10,533,889	8,922,049	10,488,462
Provided during the year	5,882,344	3,106,497	5,641,239	3,099,983
Recoveries	(965,905)	(1,408,846)	(965,905)	(1,408,846)
Net charge to the income statement (Note 10)	4,916,439	1,697,651	4,675,334	1,691,137
Write-offs	(3,409,421)	(3,240,564)	(3,411,452)	(3,257,550)
Balance at end of year	10,497,994	8,990,976	10,185,931	8,922,049

The aggregate amount of non-performing loans on which interest was not being accrued as at September 30, 2023 was $15,269,604,000 for the Group (2022–$14,649,278,000) and $13,495,757,000 (2022 - $12,820,421,000) for the Bank.

The provision for credit losses determined under Bank of Jamaica regulatory requirements is as follows:

	The Group and Bank	
	2023 $'000	2022 $'000
Specific provision	11,996,662	11,277,824
General provision	4,255,172	4,063,086
	16,251,834	15,340,910
Excess of regulatory provision over IFRS provision recognised in the Bank reflected in non-distributable loan loss reserve (Note 34)	5,753,840	6,349,934

18. Investment Securities

	The Group		The Bank	
	2023	**2022**	**2023**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
Investment Securities Classified as FVPL:				
Government of Jamaica debt securities	1,524,359	1,234,635	-	-
Other Government Securities	222,226	134,802	-	-
Corporate Debt Securities	710,613	1,530,504	-	-
Quoted and Unquoted equities	17,789,237	12,349,544	18,255	18,255
Collective Investment Schemes	686,834	165,601	-	-
Interest receivable	30,488	32,987	-	-
	20,963,757	15,448,073	18,255	18,255
Investment Securities Classified as FVOCI				
Government of Jamaica debt securities	156,276,700	253,650,458	39,360,474	153,062,100
Other Government Securities	75,801,979	40,360,690	31,927,900	9,136,351
Corporate Debt Securities	71,469,493	75,339,159	4,861,259	9,449,812
Interest receivable	3,976,262	5,364,477	797,452	2,801,404
	307,524,434	374,714,784	76,947,085	174,449,667
Investment securities at Amortised Cost				
Government of Jamaica debt securities	174,196,322	11,011,735	158,843,699	8,358,577
Other Government Securities	27,803,906	56,264,065	23,044,082	50,318,867
Corporate Debt Securities	4,360,895	-	4,360,895	-
Interest receivable	2,614,341	281,903	2,569,963	31,637
	208,975,464	67,557,703	188,818,639	58,709,081
Expected credit losses	(85,814)	(16,732)	(85,561)	(11,822)
	537,377,841	457,703,828	265,698,418	233,165,181
Total investment securities, as above	537,377,841	457,703,828	265,698,418	233,165,181
Less: Pledged securities (Note 19)	(264,098,808)	(236,451,283)	(141,886,584)	(122,718,297)
Amount reported on the statement of financial position	273,279,033	221,252,545	123,811,834	110,446,884

The current portion of total investment securities amounted to $91,559,573,000 (2022 - $92,938,772,000) for the Group and $59,305,176,000 (2022 - $72,393,223,000) for the Bank.

Included in investment securities are debt securities with an original maturity of less than 90 days amounting to $6,385,867,000 (2022 - $ 3,522,411,000) for the Group and $5,746,563,000 (2022 - $ 3,497,448,000) for the Bank which are regarded as cash and cash equivalents for purposes of the statement of cash flows.

19. Pledged Assets

	The Group		The Bank	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Investment securities pledged as collateral for:				
Repurchase agreements	262,624,450	233,493,371	140,578,021	121,451,186
Clearing services	1,474,358	1,769,198	1,308,563	1,267,111
Investment securities held as security in respect of insurance agency subsidiary	-	1,188,714	-	-
	264,098,808	236,451,283	141,886,584	122,718,297
Placements with other banks pledged as collateral for letters of credit (Note 14)	4,296,000	4,979,526	2,516,368	4,979,526
	268,394,808	241,430,809	144,402,952	127,697,823

The Financial Services Commission of Jamaica (FSC) holds investment securities for certain subsidiaries in accordance with Section 8(1)(B) of the Insurance Regulations.

20. Investment in Associates

	The Group	
	2023	2022
	$'000	$'000
At the beginning of the year	133,336	109,265
Share of (loss)/profit	(21,253)	24,071
At end of year	112,083	133,336

The Group has used the financial statements of its associates as at June 30 for the purpose of equity accounting to facilitate the availability of financial information in accordance with the Group's reporting timetable. Adjustments are made for significant transactions or events, where identified, that occur between that date and September 30.

20. Investment in Associates (Continued)

The carrying values of investment in associates and the values indicated by prices quoted on the Jamaica Stock Exchange ("JSE Indicative Value") as at September 30 are as follows:

	The Group			
	Carrying Value	JSE Indicative Value	Carrying Value	JSE Indicative Value
	2023	2023	2022	2022
	$'000	$'000	$'000	$'000
Elite Diagnostic	74,802	118,218	89,439	220,584
Mundo Finance	37,281	-	43,897	-
	112,083	118,218	133,336	220,584

The following tables present summarised financial information in respect of the Group's associated companies.

	Elite Diagnostic Limited	Mundo Finance Limited	Total
	$'000	$'000	$'000
2023			
Current assets	69,459	188,448	257,907
Non-current assets	332,533	825,362	1,157,895
Current liabilities	34,934	187,161	222,095
Non-current liabilities	345,000	426,424	771,424
Revenue	114,012	755,334	869,346
(Loss)/profit from continuing operations	(3,183)	13,349	10,166
Percentage ownership	50%	18.69%	
Net assets of the associate - 100%	22,058	400,225	
Group share of net assets	11,029	74,802	

20. Investment in Associates (Continued)

	Elite Diagnostic Limited $'000	Mundo Finance Limited $'000	Total $'000
2022			
Current assets	142,720	79,271	221,991
Non-current assets	776,840	274,179	1,051,019
Current liabilities	104,302	15,656	119,958
Non-current liabilities	336,715	250,000	586,715
Revenue	624,222	69,589	693,811
Profit from continuing operations	16,854	31,794	48,648
Percentage ownership	18.69%	50%	
Net assets of the associate - 100%	478,543	87,794	
Group share of net assets	89,439	43,897	

21. Investment Properties

	The Group	
	2023	2022
	$'000	$'000
Balance at beginning of year	364,846	552,414
Disposals	-	(296,366)
Foreign exchange adjustments	6,469	26,468
Fair value (losses)/gains (note 7)	(30,817)	82,330
Balance at end of year	340,498	364,846

The Group did not classify any properties held under operating leases as investment properties. The properties held are stated at fair market value, as appraised by professional, independent valuators. The value for the property was determined using the direct capitalisation approach.

The valuations of investment property have been classified as Level 3 of the fair value hierarchy under IFRS 13, ‘Fair Value Measurement’.

Several valuations have been performed using a comparable sales approach but, as there have been a limited number of similar sales in the respective markets, these valuations incorporate unobservable inputs determined based on the valuators’ judgment regarding size, age, condition and state of the local economy. Similarly, the valuations that are performed using the direct capitalisation and income approaches rely on unobservable inputs based on the valuator’s judgment given the varying levels of income between properties within a relatively small geographic area as well as the unavailability of risk-adjusted discount rates for properties. A key estimate used by these valuators is one for vacancy. These valuations are sensitive to the aforementioned adjustments for the unobservable inputs, which inputs may result in the values realised, either through use or sale, being different from the amounts recognised in these financial statements.

22. Intangible Assets

	The Group	
	Computer Software	
	2023	2022
	$'000	$'000
Net book value, at beginning of year	11,048,353	10,540,529
Translation adjustment	2,471	3,631
Additions	3,979,507	3,869,699
Amortisation charge	(1,598,507)	(3,365,506)
Reclassifications and adjustments	21,786	-
Net book value, at end of year	13,453,610	11,048,353
Cost	32,880,574	28,865,112
Accumulated amortisation	19,426,964	17,816,759
Closing net book value	13,453,610	11,048,353

	The Bank	
	Computer Software	
	2023	2022
	$'000	$'000
Net book value, at beginning of year	10,401,810	10,012,108
Additions	3,732,862	3,592,945
Amortisation charge	(1,436,887)	(3,203,243)
Net book value, at end of year	12,697,785	10,401,810

	2023	2022
	$'000	$'000
Cost	30,546,526	26,805,498
Accumulated amortisation	(17,848,741)	(16,403,688)
Net book value	12,697,785	10,401,810

Computer software for the Group at year end include items with a cost of $4,247,045,000 (2022 - $4,879,140,000) on which no amortisation has yet been charged as these software applications are in the process of implementation.

23. Property, Plant and Equipment

	The Group			
	Freehold Land and Buildings and Leasehold Improvements	Motor Vehicles, Furniture & Equipment	Work-in-Progress	Total
	$'000	$'000	$'000	$'000
Cost -				
At October 1, 2021	9,016,517	13,373,583	1,175,101	23,565,201
Additions	114,269	729,636	5,154	849,059
Disposals	(1,472,606)	(380,841)	-	(1,853,447)
Transfers	357,691	21,902	(379,593)	-
Reclassifications and adjustments	-	27	(4,610)	(4,583)
At September 30, 2022	8,015,871	13,744,307	796,052	22,556,230
Additions	27,135	1,153,020	521,656	1,701,811
Disposals	(40,504)	(49,291)	-	(89,795)
Transfers	296,417	371,170	(667,587)	-
Reclassifications and adjustments	-	44	-	44
At September 30, 2023	8,298,919	15,219,250	650,121	24,168,290
Accumulated Depreciation -				
At October 1, 2021	2,041,774	10,828,679	-	12,870,453
Charge for the year	(243,442)	574,443	-	331,001
Disposals	(649,412)	(282,993)	-	(932,405)
Reclassifications and adjustments	-	(144)	-	(144)
At September 30, 2022	1,148,920	11,119,985	-	12,268,905
Charge for the year	125,333	943,556	-	1,068,889
Disposals	(16,104)	(46,459)	-	(62,563)
Reclassifications and adjustments	-	321	-	321
At September 30, 2023	1,258,149	12,017,403	-	13,275,552
Net Book Value -				
September 30, 2023	7,040,770	3,201,847	650,121	10,892,738
September 30, 2022	6,866,951	2,624,322	796,052	10,287,325

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23. Property, Plant and Equipment (Continued)

	The Bank			
	Freehold Land and Building and Leasehold Improvements	Motor Vehicles, Furniture & Equipment	Work-in-Progress	Total
	$'000	$'000	$'000	$'000
Cost -				
At October 1, 2021	9,016,517	13,208,809	1,099,980	23,325,306
Additions	114,269	725,791	5,392	845,452
Disposals	(1,472,606)	(380,841)	-	(1,853,447)
Transfers	357,691	21,902	(379,593)	-
At September 30, 2022	8,015,871	13,575,661	725,779	22,317,311
Additions	27,135	1,150,796	515,804	1,693,735
Disposals	(40,504)	(49,291)	-	(89,795)
Transfers	296,417	371,170	(667,587)	-
At September 30, 2023	8,298,919	15,048,336	573,996	23,921,251
Accumulated Depreciation -				
At October 1, 2021	2,041,482	10,600,560	-	12,642,042
Charge for the year	(229,894)	548,919	-	319,025
Disposals	(649,412)	(282,993)	-	(932,405)
Reclassification and adjustments	-	1,307	-	1,307
At September 30, 2022	1,162,176	10,867,793	-	12,029,969
Charge for the year	125,333	936,781	-	1,062,114
Disposals	(16,104)	(46,459)	-	(62,563)
Reclassification and adjustments	-	2	-	2
At September 30, 2023	1,271,405	11,758,117	-	13,029,522
Net Book Value -				
September 30, 2023	7,027,514	3,290,219	573,996	10,891,729
September 30, 2022	6,853,695	2,707,868	725,779	10,287,342

24. Deferred Income Taxes

Deferred income taxes are calculated on all temporary differences under the liability method using a tax rate of 33⅓% (2022: 33⅓%) for the insurance agency subsidiary, 33⅓% for the Bank and other regulated companies, 21% for the subsidiary incorporated in the United Kingdom and 25% for all other subsidiaries; with the exception of the subsidiaries incorporated in the Cayman Islands which has no income tax.

The net assets recognised in the statement of financial position are as follows:

	The Group		The Bank	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Deferred tax assets	(9,447,882)	(14,722,744)	(7,256,530)	(12,485,117)
Deferred tax liabilities	39,178	79,238	-	-
Net asset at end of year	(9,408,704)	(14,643,506)	(7,256,530)	(12,485,117)

The movement in the net deferred income tax balance is as follows:

	The Group		The Bank	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Net asset at beginning of year	(14,643,506)	(5,775,519)	(12,485,117)	(5,433,575)
Deferred tax (credited)/debited in the income statement (Note 12)	(2,098,238)	(1,606,441)	(1,039,531)	(1,046,656)
Deferred tax credited to other comprehensive income (Note 12)	7,333,040	(7,261,546)	6,268,118	(6,004,886)
Net asset at end of year	(9,408,704)	(14,643,506)	(7,256,530)	(12,485,117)

The amounts shown in the statement of financial position include the following:

	The Group		The Bank	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Deferred tax assets to be recovered after more than 12 months	(5,052,914)	(2,358,792)	(4,966,333)	(2,271,273)
Deferred tax liabilities to be settled after more than 12 months	43,467	3,636	-	-

24. Deferred Income Taxes (Continued)

Deferred income tax assets and liabilities, prior to offsetting of balances, are due to the following items:

	The Group		The Bank	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Deferred income tax assets:				
Property, plant and equipment	2,633,755	2,396,083	2,430,182	2,271,273
Investment securities	1,235,325	9,810,488	908,861	8,437,913
Credit impairment losses	20,682	-	11,647	-
Pensions and other post-retirement benefits	2,536,151	1,141,002	2,536,151	1,141,002
Interest payable	635,566	410,031	-	-
Unrealised foreign exchange loss	2,884,392	2,184,950	2,884,392	2,184,351
Unutilised tax losses	118,736	23,473	-	-
Other temporary differences	2,094,963	1,018,964	703,866	341,015
	12,159,570	16,984,991	9,475,099	14,375,554
Deferred income tax liabilities:				
Property, plant and equipment	273	3,636	-	-
Investment securities at FVPL	94	88,691	-	-
Investments securities at FVOCI	124,843	18,108	-	-
Interest receivable	346,853	241,581	-	-
Unrealised foreign exchange gains	1,726,621	1,145,154	1,726,621	1,128,780
Credit impairment losses	28,147	26,398	-	-
Other temporary differences	524,035	817917	491,948	761,657
	2,750,866	2,341,485	2,218,569	1,890,437
Net deferred tax asset	(9,408,704)	(14,643,506)	(7,256,530)	(12,485,117)

24. Deferred Income Taxes (Continued)

The amounts recognised in the income statement are due to the following items:

	The Group		The Bank	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Property, plant and equipment	(240,819)	(247,952)	(158,909)	(250,409)
Investment securities	(80,168)	87,807		-
Credit impairment losses	(280,512)	1,255,305	(271,477)	1,238,075
Pensions and other post-retirement benefits	(114,397)	(255,404)	(114,397)	(255,404)
Interest receivable	98,478	41,111	-	-
Interest payable	(225,501)	(181,852)	-	-
Accrued profit share	67,327	(17,280)	-	-
Accrued vacation leave	(26,991)	(27,891)	(21,878)	(36,847)
Unrealised foreign exchange losses	(102,200)	(1,656,897)	(102,200)	(1,684,514)
Unutilised tax losses	(736,795)	4,713	-	-
Other temporary differences	(456,660)	(608,101)	(370,670)	(57,557)
	(2,098,238)	(1,606,441)	(1,039,531)	(1,046,656)

The amounts recognised in other comprehensive income are due to the following items:

	The Group		The Bank	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Unrealised gains/(losses) investments at FVOCI	8,071,169	(10,075,599)	7,188,347	(8,676,070)
Realised fair value gains on sale and maturity of investments	542,623	1,352,859	360,523	1,209,990
Remeasurement of post-employment benefit obligation	(1,280,752)	1,461,194	(1,280,752)	1,461,194
	7,333,040	(7,261,546)	6,268,118	(6,004,886)

25. Other Assets

	The Group		The Bank	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Due from merchants, financial institutions, clients and payment systems providers	19,181,177	13,749,466	11,532,025	9,214,360
Prepayments	4,174,341	4,130,143	3,427,544	3,473,201
Shares held for incentive	4,236,471	4,236,471	4,236,471	4,236,440
Management fees & royalties	-	-	1,706,054	771,990
Other	192,574	3,909,974	7,095,785	4,972,108
	27,784,563	26,026,054	27,997,879	22,668,099

The fair values of other assets approximate carrying values. The current portion of other assets for the Group is $27,769,177,000 (2022- $19,197,831,000) and the Bank $27,982,492,000 (2022- $16,496,849,000).

26. Due to other Banks

	The Group		The Bank	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Items in course of payment	3,733,820	4,019,800	3,713,814	4,000,149
Borrowings from other banks	16,612,533	21,312,495	14,290,954	21,312,496
Deposits from other banks	160,070	139,593	2,276,508	9,819,992
	20,506,423	25,471,888	20,281,276	35,132,637
Interest payable	225,903	297,779	191,324	297,779
	20,732,326	25,769,667	20,472,600	35,430,416

Items in the course of payment primarily represent cheques drawn by the Bank which have been accounted for as a deduction from its bank balances, but which have not been presented on its bank accounts. These relate to accounts held with banks outside of Jamaica and at Central Banks. Borrowings from other banks are denominated in United States dollars and have various maturity dates, these attract interest at 2.07%-4.17% per annum.

The amounts included as cash equivalents in the statement of cash flows are as follows:

	The Group		The Bank	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Total due to other banks	20,506,423	25,471,888	20,281,276	35,132,636
Less: amounts with original maturities of greater than 90 days	(7,512,678)	(17,184,398)	(7,547,257)	(17,184,397)
	12,993,745	8,287,490	12,734,019	17,948,239

27. Obligations under Securitisation Arrangements

	The Group and The Bank	
	2023	2022
	$'000	$'000
Diversified payment rights		
Principal outstanding – US$250,000,000 (2022 – US$250,000,000)	38,693,000	38,004,775
Merchant voucher receivables		
Principal outstanding – US$384,000,000 (2022 – US$406,136,000)	59,556,337	61,740,497
	98,249,337	99,745,272
Unamortised transaction fees	(962,281)	(1,182,065)
	97,287,056	98,563,207
Interest payable	907,951	522,451
Net liability	98,195,007	99,085,658

The current portion of obligations under securitisation arrangements amounted to $12, 640, 593,000 (2022 – $3,243,477,000) for the Group and the Bank.

Diversified Payment Rights

NCBJ has entered into a structured financing transaction involving securitisation of its Diversified Payment Rights. A Diversified Payment Right ("DPR") is a right of NCBJ to receive payments from correspondent banks based overseas whenever a payment order is initiated by a person or entity situated overseas in favour of a person or entity situated in Jamaica. Under these securitisation transactions, NCBJ assigns its rights to all present and future DPRs to an offshore special purpose vehicle, Jamaica Diversified Payment Rights Company Limited ("JDPR") (Note 37), which then issues notes which are secured by the DPR flows. The cash flows generated by the DPRs are used by JDPR to make scheduled principal and interest payments to the note holders and any excess cash is transferred to NCBJ, provided no early amortisation event or default has occurred under the terms of the notes.

On September 30, 2020, NCBJ raised US$250 million through the DPR Securitisation (Series 2020-1 Notes). The transaction was structured with an interest-only period of 3.25-year (13 quarters) and thereafter quarterly principal amortisation on a straight-line basis, beginning March 15, 2024 to final maturity on September 15, 2030. Interest is due and payable on a quarterly basis calculated at a rate of 5.25% beginning December 15, 2020.

27. Obligations under Securitisation Arrangements (Continued)

Merchant Voucher Receivables

NCBJ has entered into a structured financing transaction involving securitisation of its Merchant Voucher Receivables (MVR). This arrangement involves the sale of future flows due from Visa International Service Association (Visa) and MasterCard International Incorporated (MasterCard) related to international merchant vouchers acquired by NCBJ in Jamaica.

A merchant voucher is created when an international Visa or MasterCard cardholder pays for goods or services at a NCB merchant. NCB approves the charge, pays the merchant under contractual terms, and submits the merchant voucher information to Visa or MasterCard for settlement. Upon approval and receipt of the charge information, Visa or MasterCard is obligated to pay the amounts due, and this represents a receivable under the transaction.

Arising from this arrangement, NCBJ transferred its rights to all future receivables to an off-shore special purpose company (SPC), Jamaica Merchant Voucher Receivables Limited (“JMVR”), which then issues notes which are secured by the MVR flows. The cash flows generated by the MVR are used by JMVR to make scheduled principal and interest payments to the note holders and any excess cash is transferred to NCBJ, provided no early amortisation event or default has occurred under the terms of the notes.

On November 21, 2016, NCBJ raised an additional US$150 million through the MVR securitisation transaction (Series 2016-1 Notes). The transaction was structured on a mortgage-style amortisation basis with an interest-only period of forty-one months and thereafter quarterly principal amortisation, beginning July 7, 2020 to final maturity on January 8, 2027. Interest is due and payable on a quarterly basis calculated at a rate of 5.625% beginning January 9, 2017.

On August 30, 2022, NCBJ raised an additional US$300 million through the MVR securitisation transaction (Series 2023-1 Notes). The transaction was structured on a mortgage-style amortisation basis with an interest-only period of thirty-nine months and thereafter quarterly principal amortisation, beginning April 7, 2026 to final maturity on October 7, 2032. Interest is due and payable on a quarterly basis calculated at a rate of 6.12% beginning October 7, 2022.

28. Other Borrowed Funds

	The Group		The Bank	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
(a) Development Bank of Jamaica	6,421,132	5,787,155	5,273,819	4,575,486
(b) Corporate notes	25,244,649	15,940,511	7,000,000	7,000,000
(c) National Housing Trust	5,346,511	3,857,865	5,346,510	3,858,735
(d) Other	1,271,638	13,715	-	-
	38,283,930	25,599,246	17,620,329	15,434,221
Interest payable	261,112	215,243	145,870	139,776
	38,545,042	25,814,489	17,766,199	15,573,997

The current portion of other borrowed funds amounted to $16,257,027,000 (2022 – $8,186,086,000) for the Group and $1,019,890,000 (2022 – $984,962,000) for the Bank.

(a) The loans from Development Bank of Jamaica are granted in both Jamaican and US dollars and are utilised by the Group to finance customers with viable ventures in agricultural, agro-industrial, construction, manufacturing, mining and tourism sectors of the economy. These loans are for terms up to 12 years and at rates ranging from 4 % – 7%.

(b) Corporate notes are both unsecured and secured variable and fixed rate notes issued in a combination of Jamaican dollars and United States dollars. The notes are repayable between 2023 and 2025. The fixed rate notes attract interest between 4.5% and 9.0% and the variable rate notes attract interest of the six month weighted average on treasury bill yield plus 2.25% - 2.5% per annum.

(c) The loans from National Housing Trust (NHT) are granted as part of the Joint Financing Mortgage Programme. Under the partnership agreement, NHT contributors are able to access their NHT loans directly from NCBJ at the prevailing interest rate offered by NHT. These loans are for the terms up to 40 years at rates ranging from 0% - 6%.

29. Interests in Structured Entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. An interest in a structured entity is any form of contractual or non-contractual involvement which creates variability in returns arising from the performance of the entity for the Group. Such interests include holdings of debt or equity securities and investment management agreements. Structured entities are assessed for consolidation in accordance with the accounting policy set out in Note 2(q).

Consolidated Structured Entities

Securitisation Vehicles
The Group uses securitisation as a source of financing and a means of risk transfer. Securitisation of its DPR and MVR (Note 27) is conducted through structured entities, JDPR and JMVR, exempted limited liability companies incorporated under the laws of the Cayman Islands. The relationship between the transferred rights and the associated liabilities is that holders of Notes may only look to cash flows from the securitised assets for payments of principal and interest due to them under the terms of their Notes.

Unconsolidated Structured Entity

a) A subsidiary of the Group manages a Unit Trust Scheme comprising seven portfolios – the JMD Money Market Portfolio, the JMD High Yield Portfolio, the High Yield Asset and Loans Portfolio, the Caribbean Equity Portfolio, the USD Money Market Portfolio, the USD Indexed Bond Portfolio and the USD Bond Portfolio.

The Unit Trust has an independent trustee. The subsidiary is the investment manager of the Unit Trust and is entitled to receive management fees based on the assets under management. The Group also holds units in the Unit Trust.

The table below shows the total assets of the Unit Trust, the Group's interest in and income arising from involvement with the Unit Trust as well as the maximum exposure to loss. The maximum exposure to loss from the Group's interests represents the maximum loss that the Group could incur as a result of its involvement with the Unit Trust regardless of the probability of the loss being incurred. The income from the Group's interest includes recurring and non-recurring fees and any mark-to-market gains/losses on a net basis.

	The Group	
	2023	**2022**
	$'000	**$'000**
Total assets of the Unit Trust	34,852,298	34,840,666
The Group's interest – Carrying value of units held (included in FVOCI securities – Note 18)	162,695	165,601
Maximum exposure to loss	162,685	165,601
Liability to the Unit Trust in relation to investment in repurchase obligations (included in repurchase obligations on the consolidated statement of financial position)	494,844	190,000
Total income from the Group's interests	790,091	750,258

The Group has not provided any non-contractual financial support during the period and does not anticipate providing non-contractual support to the Unit Trust in the future.

29. Interests in Structured Entities (Continued)

***Unconsolidated Structured Entity* (continued)**

b) Stratus Alternative Funds SCC ("the Company") is a segregated cell company duly incorporated under the laws of Barbados. The Company was incorporated to provide a superstructure to facilitate the creation of a variety of alternative funds for investments.

The company operates five funds. NCB Capital Markets Limited, a wholly owned subsidiary of the Group manages all the funds, except for, one fund that is jointly managed by Paynter (Jamaica) Limited, a wholly owned subsidiary of Eppley Limited.

The fund managers are entitled to management fees based on a fixed fee above set hurdle rates as well as the performance of the assets under management. The powers of appointment and removal of the investment manager are also vested in the directors of the alternative investment company. Subsidiaries in the Group hold investments in some of the portfolio funds established and operated by company.

The table below shows the total assets of the company, the Group's interest in and income arising from involvement with the company as well as the maximum exposure to loss. The maximum exposure to loss from the Group's interests represents the maximum loss that the Group could incur as a result of its involvement with the company regardless of the probability of the loss being incurred. The income from the Group's interest includes recurring and non-recurring fees and any mark-to-market gains/losses on a net basis.

	The Group	
	2023	2022
	$'000	$'000
Total assets of the company	11,004,579	9,871,208
Maximum exposure to loss	773,619	664,935
Investments by the Group:		
Preference shares	697,251	1,267,061
Management fees earned by the Group	164,702	141,979

The Group has not provided any non-contractual financial support during the period and does not anticipate providing non-contractual support to the alternative investment segregated cell company in the future.

30. Post-employment Benefits

Liabilities recognised in the statement of financial position are as follows:

	The Group & Bank	
	2023	2022
	$'000	$'000
Other post-employment benefits	7,608,452	3,423,005

The amounts recognised in the income statement are as follows:

	The Group & Bank	
	2023	2022
	$'000	$'000
Other post-employment benefits (Note 9)	343,191	766,161

The amounts recognised in the statement of comprehensive income are as follows:

	The Group & Bank	
	2023	2022
	$'000	$'000
Other post-employment benefits	3,842,257	4,383,581

30. Post-employment Benefits (Continued)

(a) Pension schemes

The Bank and its subsidiaries have established the following pension schemes covering all permanent employees. The assets of funded plans are held independently of the Group's assets in separate trustee administered funds. The Group's pension schemes are regulated by the respective regulator.

National Commercial Bank Staff Pension Fund 1986

This is a defined benefit scheme, which comprises the following pension funds which were merged on September 30, 1999:

- National Commercial Bank Staff Pension Fund 1975 (NCB 1975 Fund)
- National Commercial Bank Staff Pension Fund 1986 (NCB 1986 Fund)
- Mutual Security Bank Superannuation Scheme (MSB Fund)
- Computer Service and Programming Limited Pension Fund (CSP Fund).

Members' rights under each of the funds as at the date of merger were fully preserved in the NCB 1986 Fund and members of the merged funds receive pension benefits from the NCB 1986 Fund in respect of service up to the date of merger. The scheme was closed to new members effective October 1, 1999.

No asset has been recognised in relation to the Bank's defined benefit scheme as, under the rules of the scheme, the employer would not benefit from any surplus on the winding up of the scheme. No additional current service cost has been incurred since closure of the scheme and the employer only makes a nominal contribution in order to retain the tax exempt status of the fund. The funding valuation as at June 30, 2023 showed a pension deficit of $8,678,000.

National Commercial Bank Staff Pension Fund 1999

This is a defined contribution scheme which is funded by payments from employees and by the relevant companies. Group companies contribute an amount equivalent to 5% of employees' salary to the scheme each pay cycle and employees must contribute at least 5% and up to a maximum of 15%. Contribution to the scheme for the year was $585,876,000 (2022 – $498,922,000).

The amounts recognised in the statement of financial position in respect of defined benefit pension schemes are as follows:

	The Bank	
	2023	**2022**
	$'000	**$'000**
Present value of funded obligations	21,558,089	25,504,708
Fair value of plan assets	(25,477,003)	(29,896,611)
Over – funded obligations	(3,918,914)	(4,391,903)
Limitation on pension assets	3,918,914	4,391,903
	-	-

30. Post-employment Benefits (Continued)

(a) Pension schemes (continued)
The schemes are valued by actuaries annually using the projected unit credit method; the latest such valuation being carried out as at September 30, 2023 for the Bank's schemes.

The movement in the defined benefit obligation is as follows:

	The Group & Bank	
	2023	2022
	$'000	$'000
At beginning of year	25,504,708	31,904,868
Interest cost	2,805,298	2,777,937
Remeasurements:		
Experience gains	66,963	(345,690)
Demographic	(223,916)	-
Gains from changes in financial assumptions	(4,373,345)	(6,754,576)
Benefits paid	(2,221,618)	(2,077,831)
At end of year	21,558,090	25,504,708

The movement in the fair value of plan assets is as follows:

	2023	2022
At beginning of year	29,896,611	35,159,398
Interest on plan assets	3,310,367	3,070,844
Remeasurement - return on plan assets, excluding amounts included in interest on plan assets	(5,508,357)	(6,255,800)
Benefits paid	(2,221,618)	(2,077,831)
At end of year	25,477,003	29,896,611

30. Post-employment Benefits (Continued)

(a) Pension schemes (continued)

The amounts recognised in other comprehensive income are as follows:

	The Group & Bank	
	2023	**2022**
	$'000	**$'000**
Gain on present value of funded obligations	(4,530,298)	(7,100,266)
Gain on fair value of plan assets	5,508,357	6,255,800
Change in effect of asset ceiling	(978,059)	844,466
Net gain	-	-

Plan assets for the Bank's defined benefit pension scheme are comprised as follows:

	2023		2022	
	$'000	**%**	**$'000**	**%**
Equity securities	13,060,088	51.26	16,556,118	55.38
Debt securities	8,920,016	35.01	10,085,254	33.73
Real estate and other	3,496,902	13.73	3,255,239	10.89
	25,477,006	100.00	29,896,611	100.00

These plan assets included:

- Ordinary stock units of NCB Financial Group Limited with a fair value of $4,455,087,000 (2022 – $7,298,705,000).
- Repurchase obligations, promissory notes and lease obligations of the Group aggregating $75,916,000 (2022 – $82,831,000).
- Properties occupied by the Group with a fair value of $905,000,000 (2022 - $677,900,000).

September 30, 2023 (expressed in Jamaican dollars unless otherwise indicated)

30. Post-employment Benefits (Continued)

(a) Pension schemes (continued)

Expected contributions to the Bank's defined benefit pension schemes for the year ending September 30, 2023 is nominal.

The principal actuarial assumptions used are as follows:

	The Bank	
	2023	**2022**
Discount rate	11.50%	11.50%
Future salary increases	9.50%	6.00%
Future pension increases	2.50%	5.00%

Post-employment mortality for active members and mortality for pensioners is based on the 1994 Group Annuity Mortality tables (GAM (94) (U.S. mortality tables) with no age setback.

The average duration of the defined benefit pension obligation at September 30, 2023 is 8.1 years (2022 – 9.5 years) for the Bank's defined benefit scheme.

30. Post-employment Benefits (Continued)

(a) Pension schemes (continued)

The sensitivity of the defined benefit pension obligation to changes in the principal assumptions is as follows:

The Bank

	2023		
	Increase/(decrease) in defined benefit obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
		$'000	$'000
Discount rate	1%	(1,456,220)	1,667,224
Future salary increases	1%	33,977	(32,969)
Future pension increases	1%	1,632,499	(1,443,082)
Life expectancy	1 year	396,000	(389,000)

	2022		
	Increase/(decrease) in defined benefit obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
		$'000	$'000
Discount rate	1%	(2,021,077)	2,357,440
Future salary increases	1%	48,372	(46,754)
Future pension increases	1%	2,276,226	(1,980,487)
Life expectancy	1 year	682,000	(696,000)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

30. Post-employment Benefits (Continued)

(b) Other post-employment benefits

In addition to pension benefits, the Group offers medical and life insurance benefits that contribute to the health care and life insurance coverage of employees and beneficiaries after retirement. The method of accounting and frequency of valuations are similar to those used for defined benefit pension schemes.

In addition to the assumptions used for pension schemes, the main actuarial assumption is a long-term increase in health costs of 2.0 percentage points above CPI per year (2022 – 2.0 percentage points above CPI).

The average duration of the other post-employment benefits obligation at September 30, 2023 is 20.7 years for the Bank.

The amounts recognised in the statement of financial position are as follows:

	The Group & Bank	
	2023	**2022**
	$'000	**$'000**
Present value of unfunded obligations	7,608,452	3,423,005

The movement in the defined benefit obligation is as follows:

	The Group & Bank	
	2023	**2022**
	$'000	**$'000**
At beginning of the year	3,423,005	7,040,376
Service cost	70,255	192,885
Interest cost	388,149	628,952
Curtailment	-	35,864
Remeasurements:		
Experience losses/(gains)	40,180	(66,899)
Demographic assumptions	450,651	(1,494,245)
Gains/(Losses) from changes in financial assumptions	3,351,426	(2,822,438)
Benefits paid	(115,214)	(91,490)
At end of year	7,608,452	3,423,005

The amounts recognised in the income statement are as follows:

	The Group & Bank	
	2023	**2022**
	$'000	**$'000**
Service cost	70,255	192,885
Net interest expense	388,149	664,816
Total, included in staff costs (Note 9)	458,404	857,701

30. Post-employment Benefits (Continued)

(b) Other post-employment benefits (continued)
The sensitivity of the other post-employment benefit obligation to changes in the principal assumptions is as follows:

The Bank	2023		
	Increase/(decrease) in obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
		$'000	$'000
Discount rate	1%	(1,244,181)	1,623,797
Medical cost inflation	1%	1,602,497	(1,250,438)
Life expectancy	1 year	236,520	(236,520)

The Bank	2022		
	Increase/(decrease) in obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
		$'000	$'000
Discount rate	1%	(444,917)	558,576
Medical cost inflation	1%	570,680	(459,768)
Life expectancy	1 year	83,920	(83,920)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

(c) Risks associated with pension plans and post-employment schemes

Through its defined benefit pension and other post-employment benefit schemes, the Group is exposed to a number of risks, the most significant of which are detailed below. The Group does not use derivatives to manage its plan risk. Investments are well diversified, such that failure of any single investment would not have a material impact on the overall level of assets.

Asset volatility risk
The schemes' liabilities are calculated using a discount rate set with reference to Government of Jamaica bond yields; if the schemes' assets underperform this yield, this will create a deficit.

Interest rate risk
The schemes' liabilities are calculated using a discount rate set with reference to Government of Jamaica bond yields. A decrease in Government of Jamaica bond yields will increase the schemes' liabilities, although this will be partially offset by an increase in the value of the schemes' fixed-rate bond holdings, in instances where schemes are funded.

Salary risk
The present values of the defined benefit schemes' liabilities are calculated by reference to the future salaries of participants. As such, an increase in the salaries of participants will increase the schemes' liabilities.

30. Post-employment Benefits (Continued)

(c) Risks associated with pension plans and post-employment schemes (continued)

Longevity risk
The majority of the schemes' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the schemes' liabilities.

31. Other Liabilities

	The Group		The Bank	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Accrued staff benefits	5,452,145	2,913,446	4,860,854	2,282,021
Due to customers, merchants and clients	14,382,864	16,956,582	9,103,271	8,790,855
Accrued other operating expenses	10,243,237	5,582,012	4,933,413	3,039,836
Due to reinsurers and premium received in advance	208,366	2,925	-	-
Due to Government of Jamaica	664,452	391,179	717,715	407,534
Other	2,434,567	1,348,729	4,131,954	1,101,680
	33,385,631	27,194,873	23,747,207	15,621,926

32. Share Capital

	The Group	
	2023	2022
	$'000	$'000
Authorised - unlimited		
Issued and fully paid up –		
2,616,559,716 (2022 - 2,466,762,828) ordinary stock units of no par value	16,237,731	6,465,731
Issued and outstanding	16,237,731	6,465,731

In June 2023, NCBFG purchased an additional 149,796,888 units of shares in NCBJ at a price of $4.514 per share. The additional purchase increased the share capital by $9,772,000,000.

33. Fair Value and Capital Reserves

	The Group		The Bank	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Fair value reserve	(16,106,786)	(31,890,978)	(1,776,608)	(16,834,713)
Capital reserve	8,228,930	7,529,889	374,471	374,471
	(7,877,856)	(24,361,089)	(1,402,137)	(16,460,242)
Capital reserve comprises:				
Realised –				
Capital gains from the Scheme of Arrangement	-	-	300,564	300,564
Surplus on revaluation of property, plant and equipment	92,991	92,991	-	-
Retained earnings capitalised	98,167	98,167	-	-
Share redemption reserve	1,077,382	1,077,382	-	-
Unrealised –				
Translation reserve	6,027,709	5,367,347	-	-
Surplus on revaluation of property, plant and equipment	142,963	142,963	73,907	73,907
Other	789,718	751,039	-	-
	8,228,930	7,529,889	374,471	374,471

34. Loan Loss Reserve

This is a non-distributable reserve representing the excess of the provision for credit losses determined using the Bank of Jamaica's regulatory requirements over the amount determined under IFRS (Note 17).

35. Banking Reserve Fund

This fund is maintained in accordance with the Banking Services Act, enacted in Jamaica, which requires that a minimum of 15% of the net profits, as defined by the Act, of the Bank be transferred to the reserve fund until the amount of the fund is equal to 50% of the paid-up capital of the Bank and thereafter 10% of the net profits until the amount of the fund is equal to the paid-up capital of the Bank. The amount of the fund has surpassed the paid-up capital of the Bank and therefore no further mandatory transfers were required.

The Financial Institutions Act, enacted in Trinidad and Tobago, which is applicable for the Group's regulated subsidiary in that country, requires that a minimum of 10% of the profit for the year in each period be transferred to a statutory reserve account until the balance on this reserve is not less than the paid-up capital.

36. Retained Earnings Reserve

The Banking Services Act, permits the transfer of any portion of the Bank's net profit to a retained earnings reserve. This reserve constitutes a part of the capital base and regulatory capital of the Bank.

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37. Cash Flows from Operating Activities

	Note	The Group		The Bank	
		2023	2022	2023	2022
		$'000	$'000	$'000	$'000
Net profit		10,107,546	17,011,252	8,497,636	13,962,858
Adjustments to reconcile net profit to net cash flow provided by operating activities:					
Depreciation	23	1,068,889	331,001	1,062,114	319,025
Amortisation of intangible assets	22	1,598,507	3,365,506	1,436,887	3,203,243
Finance cost		1,179,275	1,067,117	1,104,364	990,558
Share of after tax loss/(profits) of associates	21	21,254	(24,071)	-	-
Credit impairment losses	10	4,138,915	1,109,590	4,179,385	1,605,773
Interest income	5	(71,683,566)	(59,747,060)	(56,884,691)	(47,708,798)
Interest expense	5	25,630,260	16,708,085	15,195,707	10,292,373
Income tax expense	12	749,367	4,232,458	1,187,541	4,047,539
Unrealised exchange gains on securitisation arrangements		1,249,307	380,473	1,249,307	380,473
Amortisation of upfront fees on securitisation arrangements		219,783	153,252	219,783	153,252
Unrealised exchange losses on other borrowed funds		56,105	153,526	48,000	90,052
Change in post-employment benefit obligations	30	343,189	847,843	343,189	847,843
Foreign exchange gains	7	(6,913,204)	(7,171,584)	(6,804,884)	(6,509,455)
Gain on disposal of property, plant and equipment and intangible assets		(72,523)	(2,737,399)	(70,586)	(2,735,935)
Fair value losses on investment property		24,348	187,568	-	-
Fair value losses/(gains) on derivative financial instruments		551,514	(686,899)	318,602	(453,987)
Changes in operating assets and liabilities:					
Statutory reserves at Central Bank		(5,071,528)	(3,925,238)	(5,121,157)	(3,689,534)
Pledged assets included in due from other banks		683,526	(1,283,412)	2,463,158	(1,283,412)
Restricted cash included in due from other banks		(431,085)	1,702,870	(431,085)	1,702,870
Reverse repurchase agreements		1,030,539	(968,626)	-	4,140,093
Loans and advances		(30,335,725)	(44,053,284)	(27,907,627)	(40,736,130)
Customer deposits		31,462,934	34,017,796	37,178,339	34,191,063
Repurchase agreements		31,067,329	20,611,792	11,445,719	(10,734,624)
Other		4,087,703	(1,198,936)	2,615,055	(3,133,656)
		(9,344,887)	(36,927,632)	(17,172,880)	(55,021,374)
Interest received		70,966,391	58,743,202	55,246,959	47,186,491
Interest paid		(23,864,632)	(15,089,219)	(14,407,229)	(10,023,142)
Income tax paid		(567,001)	(7,982,702)	(5,978,720)	(6,585,581)
		37,189,871	(1,256,351)	17,688,130	(24,443,606)
Net cash provided by/(used in) operating activities		47,297,417	15,754,901	26,185,766	(10,480,748)

38. Related Party Transactions and Balances

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions. The volumes of related party transactions, outstanding balances at the year end and related expenses and income for the year are as follows:

	The Group							
	Parent and companies controlled by major shareholder		Associated companies of the Group		Directors and key management personnel (and their families)		Companies controlled by directors and related by virtue of common directorship	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Loans and advances								
Balance at September 30	7,186,442	6,912,530	240,885	-	715,189	644,808	782,165	825,304
Interest income earned	320,128	275,521	-	-	34,996	32,395	25,523	25,662
Investment securities								
Balance at September 30	17,447,066	17,443,276	-	-	-	-	-	-
Interest income earned	1,253,001	1,520,825	-	-	-	-	-	-
Other assets								
Balance at September 30	761,152	1,938,569	-	-	-	225,174	208,555	-
Fee and commission income	108,341	65,283	49	63	82	1,307	4,813	6,423
Other operating income	885,947	658,936	-	-	-	1,107,276	927,117	-
Dividend income	-	-	-	-	-	-	24,388	20,420

38. Related Party Transactions and Balances (Continued)

	The Group (Continued)							
	Parent and companies controlled by major shareholder		Associated companies of the Group		Directors and key management personnel (and their families)		Companies controlled by directors and related by virtue of common directorship	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Customer deposits								
Balance at September 30	6,229,983	7,272,813	123,008	58,613	806,470	1,540,647	957,1244	927,657
Interest expense	3,457	6,151	74	116	2,178	4,062	463	1,141
Repurchase agreements								
Balance at September 30	568,333	1,709,299	-	-	4,288,000	4,580,675	474,913	1,900,102
Interest expense	48,368	24,707	-	-	261,523	105,482	20,429	87,633
Other borrowed funds								
Balance at September 30	9,450,252	7,126,192	-	-	-	-	-	-
Interest expense	514,386	490,000	-	-	-	-	-	-
Other liabilities								
Balance at September 30	150,770	299,587	-	-	-	-	-	-
Operating expenses	5,977,893	4,627,890	-	-	13,234	1,812	415,057	636,515

38. Related Party Transactions and Balances (Continued)

	The Bank							
	Parent, subsidiaries and companies controlled by major shareholder		Associated companies of the Group		Directors and key management personnel (and their families)		Companies controlled by directors and related by virtue of common directorship	
	2023	2022	2023	2022	2023	2022	2023	2022
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Loans and advances								
Balance at September 30	7,186,442	6,912,530	240,885	-	715,189	644,808	937,958	825,304
Interest income earned	320,128	275,521	-	-	34,996	32,395	25,523	25,662
Reverse repurchase agreements								
Balance at September 30	-	-	-	-	-	-	-	-
Interest income earned	-	4,141	-	-	-	-	-	-
Other assets								
Balance at September 30	8,167,913	3,643,735	-	-	-	-	-	-
Fee and commission income	1,344,577	1,159,453	49	63	82	72	4813	6,423
Dividend income	4,922,013	4,174,227	-	-	-	-	24,389	20,420
Other operating income	176,951	167,628	-	-	-	-	-	-

38. Related Party Transactions and Balances (Continued)

	The Bank (Continued)							
	Parent, subsidiaries and companies controlled by major shareholder		Associated companies of the Group		Directors and key management personnel (and their families)		Companies controlled by directors and related by virtue of common directorship	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Customer deposits								
Balance at September 30	14,091,734	14,064,614	123,008	58,613	806,470	1,540,647	957,124	927,657
Interest expense	19,213	15,915	74	116	2,178	4,062	63	1,141
Repurchase agreements								
Balance at September 30	5,726,229	9,139,731	-	-	-	-	-	-
Interest expense	499,744	304,868	-	-	-	-	-	-
Due to other banks								
Balance at September 30	2,116,439	9,679,588	-	-	-	-	-	-
Interest expense	129,984	407,182	-	-	-	-	-	-
Other borrowed funds								
Balance at September 30	7,126,192	7,126,192	-	-	-	-	-	-
Interest expense	490,000	490,000	-	-	-	-	-	-
Other liabilities								
Balance at September 30	300,500	373,644	-	-	-	-	-	-
Operating Expenses	5,980,546	4,627,890	-	-	13,234	1,812	415,057	635,515

38. Related Party Transactions and Balances (Continued)

	The Group		The Bank	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Key management compensation:				
Salaries and other short-term benefits	4,245,805	1,038,744	3,827,603	866,178
Post-employment benefits	93,013	31,537	77,552	27,602
	4,338,818	1,070,281	3,905,155	893,780
Directors' emoluments:				
Fees	42,105	11,469	11,290	5,625
Management remuneration				
Separation cost	1,090,000	-	1,090,000	-
Salaries and other benefits	1,897,683	199,585	1,897,683	199,585

39. Financial Risk Management

The Group takes an enterprise-wide approach to the identification, measurement, monitoring, reporting and management of all its risks. The principal financial risks faced by the organisation are identified as: credit, market, interest rate and liquidity.

The Group's risk management framework guides its risk-taking activity and ensures that it is in conformity with regulatory requirements, applicable laws, the Board's risk appetite, stockholders' expectations and standards of best practice. The framework incorporates a comprehensive risk governance structure and appropriate policies and procedures.

Risk Governance Structure
The Group's risk governance structure seeks to manage risk/reward by ensuring that revenue-generation activities are compliant with the Group's standards and risk tolerance, while maximising long term shareholder value. The Group's comprehensive risk governance structure incorporates: (a) oversight effected through the Board, Board committees and relevant management committees, (b) administrative controls effected through the establishment of policies, and (c) organisational controls effected through segregation of duties. These controls are reviewed on an ongoing basis to ensure that they provide effective governance of the Group's risk-taking activities.

39. Financial Risk Management (Continued)

Risk limits and benchmarks are integral to the risk management process, as they characterise the Board's risk tolerance and also that of the Regulator. Limits are established for:
(i) Credit and Counterparty risk - exposures to individuals, group, counterparty, country;
(ii) Market risk - rate gap exposure, currency exposure, market value exposure; and
(iii) Liquidity risk - liquidity gaps, funding exposures/liability diversification and liquid assets levels.

Limits and benchmarks are monitored on an ongoing basis and reported to the relevant governance committees.

Policies & Procedures
Rigorous policies and operational procedures are established throughout the organisation and are approved by the relevant management personnel and/or governance committees.

These policies and procedures incorporate requirements for compliance monitoring, maintenance of contingency plans and the provision of reports to management and the relevant governance committees and/ or the Board of Directors.

(a) Credit risk
This is defined as potential for loss to the organisation arising from failure of a borrower, guarantor or counterparty to honour their contractual obligations to the Group.

The Group incurs credit and counterparty risk primarily in its loan business, reverse repurchase arrangements, and certain investment activities. There is also credit risk in off-statement of financial position financial instruments, such as loan commitments. Credit risk management is facilitated by a cadre of loans officers and credit risk personnel, who together operate within a control framework which employs a hierarchical level of authorisations for transactions that expose the organisation to credit risk. Operating practices include the establishment of limits, ongoing monitoring of credit risk exposures, a disciplined approach to provisioning and loan loss evaluation in addition to ongoing reporting of portfolio exposures to the relevant governance committees and the regulators.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position.

Credit-related commitment risks arise from guarantees which may require payment on behalf of customers. Such payments are collected from customers based on the terms of the letters of credit. They expose the Group to risks similar to loans and these are mitigated by the same control policies and processes.

39. Financial Risk Management (Continued)

(a) Credit risk (continued)

Credit review process

The Group has established a credit quality review process involving regular analysis of the ability of borrowers and other counterparties to meet interest and capital repayment obligations.

The Group employs the following classifications in assessing its exposures to its borrowing customers. The classifications are in line with the Central Bank regulations.

Standard
Special Mention
Sub-Standard
Doubtful
Loss

Exposure to credit risk is mitigated by the taking of financial or physical assets.

Collateral and other credit enhancements

The amount and type of collateral required depend on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of different types of collateral.

The main types of collateral obtained are as follows:

(i) Loans - mortgages over residential properties, charges over business assets such as premises, inventory and accounts receivable and charges over financial instruments such as debt securities.

(ii) Securities lending and reverse repurchase transactions – cash or securities.

The Group may also obtain guarantees from parent companies for loans to their subsidiaries.

Collateral values are monitored with a view to requesting additional collateral where market values are compromised or the terms in the loan agreements dictate.

	The Group			
	2023			
	Gross exposure	**Impairment allowance**	**Carrying amount**	**Fair value of collateral held**
Credit-impaired assets	**$000**	**$000**	**$000**	**$000**
Loans and advances	15,269,605	(7,908,590)	7,361,015	138,663,295
Total credit-impaired assets	15,269,605	(7,908,590)	7,361,015	138,663,295

	The Group			
	2022			
	Gross exposure	**Impairment allowance**	**Carrying amount**	**Fair value of collateral held**
Credit-impaired assets	**$000**	**$000**	**$000**	**$000**
Loans and advances	14,649,279	(6,876,364)	7,772,915	157,691,050
Total credit-impaired assets	14,649,279	(6,876,364)	7,772,915	157,691,050

39. Financial Risk Management (Continued)

(b) Credit risk (continued)

	The Bank 2023			
	Gross exposure	**Impairment allowance**	**Carrying amount**	**Fair value of collateral held**
Credit-impaired assets	**$000**	**$000**	**$000**	**$000**
Loans and advances	13,495,757	(7,630,404)	5,865,353	137,287,591
Total credit-impaired assets	13,495,757	(7,630,404)	5,865,353	137,287,591

	The Bank 2022			
	Gross exposure	**Impairment allowance**	**Carrying amount**	**Fair value of collateral held**
Credit-impaired assets	**$000**	**$000**	**$000**	**$000**
Loans and advances	12,820,421	(6,840,659)	5,979,762	154,941,397
Total credit-impaired assets	12,820,421	(6,840,659)	5,979,762	154,941,397

Impairment loss provision methodology
Provisions for impairment losses are assessed under three categories as described below:

Sub-standard, Doubtful or Loss rated loans
The Group identifies sub-standard, doubtful or loss rated loans as determined by Bank of Jamaica Regulations. The calculated provision is adjusted by the future cash flow from the realisation of the related collateral.

Individually Significant, Standard and Special Mention loans
Individually significant loans are reviewed to determine whether the loans show objective evidence of impairment and to determine the extent of provision required. Impairment may be determined through assessment of a number of factors, which include:

(i) Any significant financial difficulty being experienced by the borrower.
(ii) Breach of contract, such as default term, delinquency in principal and interest.
(iii) High probability of bankruptcy or other financial reorganisation by the borrower.

Collectively assessed provisions
All loans, excluding those that are impaired, are assessed on a portfolio basis where possible, in order to reflect the homogenous nature of the loans. The provision is determined by a quantitative review of the respective portfolios.

39. Financial Risk Management (Continued)

(a) Credit risk (continued)

The tables below show the loans and the associated impairment provision for each internal rating class:

	The Group			
	2023		2022	
	Loans $'000	Impairment provision $'000	Loans $'000	Impairment provision $'000
Standard	445,845,233	2,546,741	407,615,100	1,788,862
Special Mention	12,487,737	16,727	13,364,682	194,005
Sub-Standard	1,424,465	68,889	11,322,288	31,416
Loss	14,888,396	7,865,637	14,649,279	6,976,693
	474,645,831	10,497,994	446,951,349	8,990,976

	The Bank			
	2023		2022	
	Loans $'000	Impairment provision $'000	Loans $'000	Impairment provision $'000
Standard	429,468,185	2,512,864	392,831,345	1,755,967
Special Mention	12,487,737	16,727	13,364,682	194,005
Sub-Standard	1,045,213	25,936	11,028,580	31,416
Loss	13,493,800	7,630,404	12,820,421	6,940,661
	456,494,935	10,185,931	430,045,028	8,922,049

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39. Financial Risk Management (Continued)

(a) Credit risk (continued)

The credit quality of loans is summarised as follows:

	The Group		The Bank	
	2023 $'000	**2022 $'000**	**2023 $'000**	**2022 $'000**
Unimpaired	459,757,435	432,302,070	443,001,135	417,224,607
Impaired	14,888,396	14,649,279	13,493,800	12,820,421
Gross	474,645,831	446,951,349	456,494,935	430,045,028
Less: provision for credit losses	(10,497,994)	(8,990,976)	(10,185,931)	(8,922,049)
Net	464,147,837	437,960,373	446,309,004	421,122,979

The ageing analysis of past due unimpaired loans is as follows:

	The Group		The Bank	
	2023 $'000	**2022 $'000**	**2023 $'000**	**2022 $'000**
Less than 30 days	130,513,410	74,303,757	113,757,110	68,526,964
31 to 60 days	6,990,505	3,930,715	5,595,909	3,848,636
61 to 90 days	2,624,919	8,729,096	2,624,919	8,718,961
Greater than 90 days	10,449	5,478	10,449	5,478
	140,139,283	86,969,046	121,988,387	81,100,039

Of the aggregate amount of gross past due unimpaired loans, $107,345,910,000 was secured as at September 30, 2023 (2022 – $63,659,462,000).

Restructured loans

Restructuring activities include extended payment arrangements, approved external management plans, and modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans.

39. Financial Risk Management (Continued)

(a) Credit risk (continued)

Restructured loans (continued)

The determination of whether a loan would qualify for renegotiation is made only if all factors indicate that the borrower is able to repay in full (including interest). In making this assessment, the Group takes into consideration the historic experience with the borrowers, their expected future cash flows, collateral valuations and any guarantees. Therefore, at the time of modification, all renegotiated loans are interest bearing with interest calculated using the terms of the modified loan.

All renegotiated loans are individually assessed for impairment as the active renegotiation of a loan as a result of borrower difficulty, is considered a trigger for determining whether the loan should be tested for impairment. In carrying out its assessment, the Group uses the same methodology as with any other loan in the portfolio that exhibits other objective evidence of impairment. These loans are, however, actively monitored for at least 12 months from the time of renegotiation to determine whether circumstances have changed that would result in the loan being impaired or whether there should be an increase in the current level of impairment.

Credit risk exposure

The table below represents a worst case scenario of credit risk exposure of the Group and the Bank at the date of the statement of financial position, without taking account of any collateral held or other credit enhancements. For on-statement of financial position assets, the exposures set out below are based on net carrying amounts as reported in the statement of financial position.

	The Group		The Bank	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Credit risk exposures relating to on- statement of financial position assets:				
Balances with Central Banks	48,901,845	47,596,933	47,472,404	45,860,736
Due from other banks	47,468,897	65,443,756	37,363,657	48,728,184
Reverse repurchase agreements	5,024,804	6,765,948	-	-
Loans and advances, net of provision for credit losses	465,296,454	439,160,063	447,196,844	422,128,178
Investment securities	537,377,841	445,188,683	265,698,418	233,146,926
Letters of credit and undertaking	5,179,547	6,451,165	5,179,547	6,451,165
Other assets	23,610,223	21,895,909	24,570,335	19,164,350
	1,132,859,611	1,032,502,457	827,481,205	775,479,539
Credit risk exposures relating to off- statement of financial position items:				
Credit commitments	77,055,201	78,314,723	77,055,201	78,314,723
Acceptances, guarantees and indemnities	12,860,440	11,812,647	7,663,577	7,868,663
	89,915,641	90,127,370	84,718,778	86,183,386

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39. Financial Risk Management (Continued)

(a) Credit risk (continued)

Credit exposures

(i) Loans

The majority of loans are made to customers in Jamaica. The following table summarises the credit exposure for loans at their carrying amounts, as categorised by the industry sectors:

	The Group		The Bank	
	2023	**2022**	**2023**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
Agriculture	6,145,978	7,559,371	6,145,978	7,559,371
Public Sector	11,082,233	9,864,958	967,977	1,465,330
Construction and land development	10,557,167	11,533,497	9,056,778	10,139,931
Other financial institutions	11,623,043	10,808,921	11,550,026	10,722,409
Distribution	62,613,610	59,015,491	60,785,693	56,869,270
Electricity, water & gas	9,397,650	11,064,089	8,234,595	9,544,368
Entertainment	550,456	873,525	550,456	873,525
Manufacturing	8,373,425	8,745,699	8,326,270	8,692,250
Mining and processing	70,185	133,787	28,777	90,779
Personal	220,003,588	199,583,455	219,025,978	198,688,009
Professional and other services	32,159,175	28,304,365	31,580,058	27,871,479
Tourism	60,991,825	55,517,185	59,175,352	53,963,325
Transportation storage and communication	1,822,911	4,824,654	1,812,413	4,442,630
Overseas residents	39,254,585	39,122,352	39,254,584	39,122,352
Total	474,645,831	446,951,349	456,494,935	430,045,028
Expected credit losses	(10,497,994)	(8,990,976)	(10,185,931)	(8,922,049)
	464,147,837	437,960,373	446,309,004	421,122,979
Interest receivable	1,148,617	1,199,690	887,840	1,005,199
Net	465,296,454	439,160,063	447,196,844	422,128,178

(ii) Debt securities

The following table summarises the credit exposure for debt securities at their carrying amounts, as categorised by issuer:

	The Group		The Bank	
	2023	**2022**	**2023**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
Government of Jamaica and Bank of Jamaica	331,997,381	265,894,182	198,204,173	161,420,677
Corporate bonds	76,541,001	76,869,663	9,222,154	9,449,812
Foreign governments	103,828,111	96,759,557	54,971,982	59,455,218
	512,366,493	439,523,402	262,398,309	230,325,707
Interest receivable	6,621,091	5,679,366	3,367,415	2,833,041
ECL	(85,814)	(16,712)	(85,561)	(11,768)
	518,901,770	445,186,056	265,680,163	233,146,980

39. Financial Risk Management (Continued)

(a) Credit risk (continued)

Maximum exposure to credit risk

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

	The Group 2023 ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEBT SECURITIES	**$000**	**$000**	**$000**	**$000**	**$000**
Risk rating					
Low	142,795,258	-	-	-	142,795,258
Medium	367,109,509	4,946,421	-	-	372,055,930
High	1,128,121	520,589	-	-	1,648,710
Gross carrying amount	511,032,888	5,467,010	-	-	516,499,898
Loss allowance amortised cost	(25,653)	(60,165)	-	-	(85,818)
	511,007,235	5,406,845	-	-	516,414,080

	The Group 2022 ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEBT SECURITIES	**$000**	**$000**	**$000**	**$000**	**$000**
Risk rating					
Low	133,203,038	-	-	-	133,203,038
Medium	302,454,613	4,888,180	-	-	307,342,793
High	1,202,993	523,663	-	-	1,726,656
Gross carrying amount	436,860,644	5,411,843			442,272,487
Loss allowance amortised cost	(16,732)	-	-	-	(16,732)
	436,843,912	5,411,843	-	-	442,255,755

39. Financial Risk Management (Continued)

(a) Credit risk (continued)

Maximum exposure to credit risk (continued)

	The Group				
	ECL staging				
	2023				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
LOANS AND ADVANCES	$000	$000	$000	$000	$000
Risk rating					
Low	367,856,731	8,330,923	244,559	-	376,432,213
Medium	80,396,252	1,883,757	-	-	82,280,009
High	987,512	57,701	-	-	1,045,213
Default	-	-	14,888,396	-	14,888,396
Gross carrying amount	449,240,495	10,272,381	15,132,955	-	474,645,831
Loss allowance	(2,358,351)	(231,053)	(7,908,590)	-	(10,497,994)
Carrying amount	446,882,144	10,041,328	7,224,365	-	464,147,837

	The Group				
	ECL staging				
	2022				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
LOANS AND ADVANCES	$000	$000	$000	$000	$000
Risk rating					
Low	355,976,106	10,908,573	-	-	366,884,679
Medium	56,611,084	7,509,757	-	-	64,120,841
High	1,319,069	43,956	-	-	1,363,025
Default	-	-	14,582,804	-	14,582,804
Gross carrying amount	413,906,259	18,462,286	14,582,804	-	446,951,349
Loss allowance	(1,817,980)	(196,901)	(6,976,095)	-	(8,990,976)
Carrying amount	412,088,279	18,265,385	7,606,709	-	437,960,373

39. Financial Risk Management (Continued)

(a) Credit risk (continued)

Maximum exposure to credit risk (continued)

	The Group				
	2023				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DUE FROM BANKS, REINSURANCE and OTHER ASSETS	**$000**	**$000**	**$000**	**$000**	**$000**
Risk rating					
Low	71,079,120	-	-	-	71,079,120
Gross carrying amount	70,079,120	-	-	-	71,079,120
Loss allowance	(668)	-	-	-	(668)
Carrying amount	71,078,452	-	-	-	71,078,452

	The Group				
	2022				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DUE FROM BANKS, REINSURANCE and OTHER ASSETS	**$000**	**$000**	**$000**	**$000**	**$000**
Risk rating					
Low	87,340,362	-	-	-	87,340,362
Gross carrying amount					
Loss allowance	(697)	-	-	-	(697)
Carrying amount	87,339,665	-	-	-	87,339,665

39. Financial Risk Management (Continued)

(a) Credit risk (continued)

	The Bank				
	2023				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEBT SECURITIES	**$000**	**$000**	**$000**	**$000**	**$000**
Risk rating					
Low	54,694,973	-	-	-	54,694,973
Medium	208,329,611	3,011,148	-	-	211,340,759
Gross carrying amount	263,024,584	3,011,148	-	-	266,035,732
Loss allowance amortised cost	(25,396)	(60,165)	-	-	(85,561)
	262,999,188	2,950,983	-	-	265,950,171

	The Bank				
	2022				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEBT SECURITIES	**$000**	**$000**	**$000**	**$000**	**$000**
Risk rating					
Low	62,267,475	-	-	-	62,267,475
Medium	168,054,819	2,836,454			170,891,273
Gross carrying amount	230,322,294	2,836,454	-	-	233,158,748
Loss allowance amortised cost	(11,822)	-	-	-	(11,822)
	230,310,472	2,836,454	-	-	233,146,926

39. Financial Risk Management (Continued)

(a) Credit risk (continued)

Maximum exposure to credit risk (continued)

	The Bank				
	ECL staging				
	2023				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
LOANS AND ADVANCES	**$000**	**$000**	**$000**	**$000**	**$000**
Risk rating					
Low	351,933,780	8,276,979	-	-	360,210,759
Medium	79,861,406	1,883,757	-	-	81,745,163
High	987,512	57,701	-	-	1,045,213
Default	-	-	13,493,800	-	13,493,800
Gross carrying amount	432,782,698	10,218,437	13,493,800	-	456,494,935
Loss allowance	(2,325,090)	(230,437)	(7,630,404)	-	(10,185,931)
Carrying amount	430,457,608	9,988,000	5,863,396	-	446,309,004

	The Bank				
	ECL staging				
	2022				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
LOANS AND ADVANCES	**$000**	**$000**	**$000**	**$000**	**$000**
Risk rating					
Low	341,477,752	10,776,089	-	-	352,253,841
Medium	56,097,983	7,509,757	-	-	63,607,740
High	1,319,070	43,956	-	-	1,363,026
Default	-	-	12,820,421	-	12,820,421
Gross carrying amount	398,894,805	18,329,802	12,820,421	-	430,045,028
Loss allowance	(1,786,417)	(194,972)	(6,940,660)	-	(8,922,049)
Carrying amount	397,108,388	18,134,830	5,879,761	-	421,122,979

39. Financial Risk Management (Continued)

(a) Credit risk (continued)

Maximum exposure to credit risk (continued)

	The Bank				
	2023				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DUE FROM BANKS, REINSURANCE and OTHER ASSETS	**$000**	**$000**	**$000**	**$000**	**$000**
Risk rating					
Low	61,933,991	-	-	-	61,933,991
Gross carrying amount	61,933,991	-	-	-	61,933,991
Loss allowance	(668)	-	-	-	(668)
Carrying amount	61,933,323	-	-	-	61,933,323

	The Bank				
	2022				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DUE FROM BANKS, REINSURANCE and OTHER ASSETS	**$000**	**$000**	**$000**	**$000**	**$000**
Risk rating					
Low	67,893,051	-	-	-	67,893,051
Gross carrying amount	67,893,051	-	-	-	67,893,051
Loss allowance	(517)	-	-	-	(517)
Carrying amount	67,892,534	-	-	-	67,892,534

39. Financial Risk Management (Continued)

(a) Credit risk (continued)

Maximum exposure to credit risk (continued)

The following tables contain an analysis of the expected credit losses:

	The Group				
	2023				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEBT SECURITIES	**$000**	**$000**	**$000**	**$000**	**$000**
Risk rating					
Low	24,917	-	-	-	24,917
Medium	346,498	149,797	-	-	496,295
High	183,800	77,295	-	-	261,095
Default	-	-	-	-	-
Loss allowance	555,215	227,092	-	-	782,307

	The Group				
	2022				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEBT SECURITIES	**$000**	**$000**	**$000**	**$000**	**$000**
Risk rating					
Low	41,247		-	-	41,247
Medium	1,057,186	149,013	-	-	1,206,199
High	172,621	98,542	-	-	271,163
Default	-	-	-	-	-
Loss allowance	1,271,054	247,555	-	-	1,518,609

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39. Financial Risk Management (Continued)

(a) Credit risk (continued)

Maximum exposure to credit risk (continued)

The following tables contain an analysis of the expected credit losses:

	The Group 2023 ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
LOANS AND ADVANCES	**$000**	**$000**	**$000**	**$000**	**$000**
Risk rating					
Low	1,927,420	187,312	42,953	-	2,157,685
Medium	407,215	41,520	-	-	448,735
High	23,716	2,221	-	-	25,937
Default	-	-	7,865,637	-	7,865,637
Loss allowance	2,358,351	231,053	7,908,590	-	10,497,994

	The Group 2022 ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
LOANS AND ADVANCES	**$000**	**$000**	**$000**	**$000**	**$000**
Risk rating					
Low	1,497,798	159,845	2,473	-	1,660,116
Medium	298,035	35,697	-	-	333,732
High	22,147	1,359	-	-	23,506
Default	-	-	6,973,622	-	6,973,622
Loss allowance	1,817,980	196,901	6,976,095	-	8,990,976

39. Financial Risk Management (Continued)

(a) Credit risk (continued)

Maximum exposure to credit risk (continued)

The following tables contain an analysis of the expected credit losses:

	The Group				
	2023				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DUE FROM BANKS, REINSURANCE AND OTHER ASSETS	**$000**	**$000**	**$000**	**$000**	**$000**
Risk rating					
Low	668	-	-	-	668
Loss allowance	668	-	-	-	668

	The Group				
	2022				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DUE FROM BANKS, REINSURANCE AND OTHER ASSETS	**$000**	**$000**	**$000**	**$000**	**$000**
Risk rating					
Low	517	-	-	-	517
Loss allowance	517	-	-	-	517

39. Financial Risk Management (Continued)

(a) Credit risk (continued)

Maximum exposure to credit risk (continued)

The following tables contain an analysis of the expected credit losses:

	The Bank 2023 ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEBT SECURITIES	**$000**	**$000**	**$000**	**$000**	**$000**
Risk rating					
Low	2,243	-	-	-	2,243
Medium	36,270	79,667	-	-	115,937
Loss allowance	38,513	79,667	-	-	118,180

	The Bank 2022 ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEBT SECURITIES	**$000**	**$000**	**$000**	**$000**	**$000**
Risk rating					
Low	3,877	-	-	-	3,877
Medium	530,018	68,709	-	-	598,727
Loss allowance	533,895	68,709	-	-	602,604

39. Financial Risk Management (Continued)

(a) Credit risk (continued)

Maximum exposure to credit risk (continued)

The following tables contain an analysis of the expected credit losses:

	The Bank				
	2023				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
LOANS AND ADVANCES	$000	$000	$000	$000	$000
Risk rating					
Low	1,900,379	186,696	-	-	2,087,075
Medium	400,995	41,520	-	-	442,515
High	23,716	2,221	-	-	25,937
Default	-	-	7,630,404	-	7,630,404
Loss allowance	2,325,090	230,437	7,630,404	-	10,185,931

	The Bank				
	2022				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
LOANS AND ADVANCES	$000	$000	$000	$000	$000
Risk rating					
Low	1,473,816	157,916	-	-	1,631,732
Medium	290,454	35,697	-	-	326,151
High	22,147	1,359	-	-	23,506
Default	-	-	6,940,660	-	6,940,660
Loss allowance	1,786,417	194,972	6,940,660	-	8,922,049

39. Financial Risk Management (Continued)

(a) Credit risk (continued)

Maximum exposure to credit risk (continued)

The following tables contain an analysis of the expected credit losses:

Loss allowance

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

	The Group				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEBT SECURITIES	**$000**	**$000**	**$000**	**$000**	**$000**
Loss allowance as at October 1, 2022	1,271,054	247,555	-	-	1,518,609
Transfers:					
Transfer from Stage 1 to Stage 2	(81,184)	81,184	-	-	-
New financial assets originated or purchased	116,001	4,771	-	-	120,772
Financial assets derecognised during the period	(90,826)	-	-	-	(90,826)
Changes to principal	(49,129)	-	-	-	(49,129)
Changes to inputs to the ECL model	(614,683)	(98,781)	-	-	(713,464)
Foreign exchange movement	3,982	(7,637)	-	-	(3,655)
Loss allowance as at September 30, 2023	555,215	227,092	-	-	782,307

	The Group				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEBT SECURITIES	**$000**	**$000**	**$000**	**$000**	**$000**
Loss allowance as at October 1, 2021	1,460,860	568,785	-	-	2,029,645
Transfers:					
Transfer from Stage 1 to Stage 2					
New financial assets originated or purchased	533,948	-	-	-	533,948
Financial assets derecognised during the period	(355,181)	-	-	-	(355,181)
Changes to principal	(105,277)	-	-	-	(105,277)
Changes to inputs to the ECL model	(232,089)	(280,310)	-	-	(512,399)
Foreign exchange movement	(31,207)	(40,920)	-	-	(72,127)
Loss allowance as at September 30, 2022	1,271,054	247,555	-	-	1,518,609

39. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loss allowance (continued)

	The Group				
	ECL staging				
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Purchased credit-impaired**	**Total**
LOANS AND ADVANCES	**$000**	**$000**	**$000**	**$000**	**$000**
Loss allowance as at October 1, 2022	1,817,980	196,901	6,976,095	-	8,990,976
Transfers:					
Transfer from Stage 2 to Stage 1	(37,209)	37,209	-	-	-
Transfer from Stage 1 to Stage 3	(34,154)	-	34,154	-	-
Transfer from Stage 2 to Stage 3	-	(32,684)	32,684	-	-
Transfer from Stage 2 to Stage 1	62,763	(62,763)	-	-	-
Transfer from Stage 3 to Stage 1	3,000	-	(3,000)	-	-
Transfer from Stage 3 to Stage 2	-	1,182	(1,182)	-	-
New financial assets originated or purchased	683,420	44,988	4,726,384	-	5,454,792
Financial assets derecognised	(218,398)	(59,696)	(236,325)	-	(514,419)
Write offs	-	-	(4,547,362)	-	(4,547,362)
Changes to principal	80,331	50,355	278,390	-	409,076
Changes to input to ECL model	633	55,528	648,586	-	704,747
Foreign exchange changes	(15)	33	166		184
Loss allowance as at September 30, 2023	2,358,351	231,053	7,908,590	-	10,497,994

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39. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loss allowance (continued)

	The Group				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
LOANS AND ADVANCES	**$000**	**$000**	**$000**	**$000**	**$000**
Loss allowance as at October 1, 2021	697,552	2,302,624	7,533,712	-	10,533,888
Transfers:					
Transfer from Stage 2 to Stage 1	(53,003)	53,003	-	-	-
Transfer from Stage 1 to Stage 3	(464,794)	-	464,794	-	-
Transfer from Stage 2 to Stage 3	-	(667,341)	667,341	-	-
Transfer from Stage 2 to Stage 1	1,254,533	(1,254,533)	-	-	-
Transfer from Stage 3 to Stage 1	47,898	-	(47,898)	-	-
Transfer from Stage 3 to Stage 2	-	8,410	(8,410)	-	-
New financial assets originated or purchased	445,990	23,678	2,804,430	-	3,274,098
Financial assets derecognised	(43,474)	(211,696)	(881,400)	-	(1,136,570)
Write offs	-	-	(4,088,038)	-	(4,088,038)
Changes to principal	(364,798)	22,818	507,135	-	165,155
Changes to input to ECL model	299,323	(80,062)	(8,954)	-	210,307
Foreign exchange changes	(1,247)	-	33,383	-	32,136
Loss allowance as at September 30, 2022	1,817,980	196,901	6,976,095	-	8,990,976

	The Group				
	2023				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DUE FROM BANKS and OTHER ASSETS	**$000**	**$000**	**$000**	**$000**	**$000**
Loss allowance as at October 1, 2022	517	-	-	-	517
New financial assets originated or purchased	151	-	-	-	151
Loss allowance as at September 30, 2023	668	-	-	-	668

39. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loss allowance (continued)

	The Group				
	2022				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DUE FROM BANKS and OTHER ASSETS	**\$000**	**\$000**	**\$000**	**\$000**	**\$000**
Loss allowance as at October 1, 2021	446	-	-	-	446
New financial assets originated or purchased	71	-	-	-	71
Loss allowance as at September 30, 2022	517	-	-	-	517

	The Bank				
	2023				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEBT SECURITIES	**\$000**	**\$000**	**\$000**	**\$000**	**\$000**
Loss allowance as at October 1, 2022	533,895	68,709	-	-	602,604
Transfer from Stage 1 to Stage 2	(53,773)	53,773	-	-	-
New financial assets originated or purchased	2,936	-	-	-	2,936
Financial assets derecognised during the period	(39,619)	-	-	-	(39,619)
Changes to principal	(20,794)	-	-	-	(20,794)
Changes to inputs to the ECL model	(384,132)	(42,815)	-	-	(426,947)
Loss allowance as at September 30, 2023	38,513	79,667	-	-	118,180

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39. Financial Risk Management (Continued)
(a) Credit risk (continued)

Loss allowance (continued)

	The Bank				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DEBT SECURITIES	**$000**	**$000**	**$000**	**$000**	**$000**
Loss allowance as at October 1, 2021	538,759	149,291	-	-	688,050
New financial assets originated or purchased	213,508	-	-	-	213,508
Financial assets derecognised during the period	(118,234)	-	-	-	(118,234)
Changes to principal	(34,674)	-	-	-	(34,674)
Changes to inputs to the ECL model	(43,210)	(80,571)	-	-	(123,781)
Foreign exchange movement	(22,254)	(11)	-	-	(22,265)
Loss allowance as at September 30, 2022	533,895	68,709	-	-	602,604

	The Bank				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
LOANS AND ADVANCES	**$000**	**$000**	**$000**	**$000**	**$000**
Loss allowance as at October 1, 2022	1,786,417	194,972	6,940,660	-	8,922,049
Transfers:					
Transfer from Stage 1 to Stage 2	(37,209)	37,209	-	-	-
Transfer from Stage 1 to Stage 3	(34,107)	-	34,107	-	-
Transfer from Stage 2 to Stage 3	-	(32,684)	32,684	-	-
Transfer from Stage 2 to Stage 1	62,763	(62,763)	-	-	-
Transfer from Stage 3 to Stage 1	3,000	-	(3,000)	-	-
Transfer from Stage 3 to Stage 2	-	1,182	(1,182)	-	-
New financial assets originated or purchased	672,072	44,831	4,724,388	-	5,441,291
Financial asset derecognised	(206,754)	(58,793)	(229,566)	-	(495,113)
Write offs	-	-	(4,547,362)	-	(4,547,362)
Changes to principal	78,275	50,955	278,721	-	407,951
Changes to input to ECL model	633	55,528	400,954	-	457,115
Loss allowance as at September 30, 2023	2,325,090	230,437	7,630,404	-	10,185,931

39. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loss allowance (continued)

	The Bank				
	ECL staging				
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Purchased credit-impaired**	**Total**
LOANS AND ADVANCES	**$000**	**$000**	**$000**	**$000**	**$000**
Loss allowance as at October 1, 2021	683,739	2,302,283	7,502,438	-	10,488,460
Transfers:					
Transfer from Stage 1 to Stage 2	(53,003)	53,003	-	-	-
Transfer from Stage 1 to Stage 3	(464,794)	-	464,794	-	-
Transfer from Stage 2 to Stage 3	-	(667,341)	667,341	-	-
Transfer from Stage 2 to Stage 1	1,254,533	(1,254,533)	-	-	-
Transfer from Stage 3 to Stage 1	47,898	-	(47,898)	-	-
Transfer from Stage 3 to Stage 2	-	8,410	(8,410)	-	-
New financial assets originated or purchased	443,264	23,678	2,804,430	-	3,271,372
Financial asset derecognised	(50,217)	(211,696)	(881,400)	-	(1,143,313)
Write offs	-	-	(4,088,038)	-	(4,088,038)
Changes to principal	(364,798)	22,818	506,063	-	164,083
Foreign exchange changes	-	-	30,705	-	30,705
Changes to input to ECL model	289,795	(81,650)	(9,365)	-	198,780
Loss allowance as at September 30, 2022	1,786,417	194,972	6,940,660	-	8,922,049

39. Financial Risk Management (Continued))

(a) Credit risk (continued)

Loss allowance (continued)

	2023				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DUE FROM BANKS and OTHER ASSETS	**$000**	**$000**	**$000**	**$000**	**$000**
Loss allowance as at October 1, 2022	517	-	-	-	517
New financial assets originated or purchased	151	-	-	-	151
Loss allowance as at September 30, 2023	668	-	-	-	668

	The Bank				
	2022				
	ECL staging				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
DUE FROM BANKS and OTHER ASSETS	**$000**	**$000**	**$000**	**$000**	**$000**
Loss allowance as at October 1, 2021	446	-	-	-	446
New financial assets originated or purchased	71	-	-	-	71
Loss allowance as at September 30, 2022	517	-	-	-	517

39. Financial Risk Management (Continued)

(a) Credit risk (continued)

Economic variable assumptions for exposure – securities

Macroeconomic variables used in the Group's ECL models for securities include, but are not limited to, Global Gross Domestic Product growth, Global Consumer Price Index and interest rates. The impact of these economic variables has been determined by performing statistical analysis to understand that a correlation exists between certain variables. The PDs and LGDs are impacted by long-term changes in the various data sets gathered from external rating agencies (Standard & Poor, Moody's) and the International Monetary Fund. Macroeconomic variable assumptions in the expected credit loss models include Global Gross Domestic Product growth 2.8 (2022: - 3.59) and Global Consumer Price Index 7 (2022: 7.4).

Economic variable assumptions for exposure – loans and advances

For lending operations in Jamaica management has examined the information within the market and selected economic metrics that have a significant correlation to credit losses.

Expected state for the next 12 months		**Jamaica**
GDP growth	Base	Stable
	Upside	Stable
	Downside	Stable
Inflation	Base	Stable
	Upside	Stable
	Downside	Stable

39. Financial Risk Management (Continued)

(a) Credit risk (continued)

Sensitivity analysis
Set out below are the changes in ECL that would result from a reasonably possible change in the PDs and LGDs used by the Group:

	The Group		
	2023		
			Impact on ECL
Financial Assets	**Actual PD ranges applied**	**% Change in PD**	**Impact**
			$'000
Debt securities		+/- 30%	246,797
Loans and advances		+/- 30%	703,613
Repurchase agreements		+/- 30%	2,196
Commitment, guarantees & LCs		+/- 30%	10,312
Total			962,918

	The Group		
	2022		
			Impact on ECL
Financial Assets	**Actual PD ranges applied**	**% Change in PD**	**Impact**
			$'000
Debt securities		+/- 30%	471,632
Loans and advances		+/- 30%	594,416
Repurchase agreements		+/- 30%	2,317
Commitment, guarantees & LCs		+/- 30%	8,889
Total			1,077,254

39. Financial Risk Management (Continued)

(b) Credit risk

Sensitivity analysis
Set out below are the changes in ECL that would result from a reasonably possible change in the PDs and LGDs used by the Group:

	The Bank		
	2023		
			Impact on ECL
Financial Assets	**Actual PD ranges applied**	**% Change in PD**	**Impact**
			$'000
Debt securities		+/-30%	35,130
Loans and advances		+/-30%	703,613
Commitment, guarantees & LCs		+/-30%	10,312
Total			749,055

	The Bank		
	2022		
			Impact on ECL
Financial Assets	**Actual PD ranges applied**	**% Change in PD**	**Impact**
			$'000
Debt securities		+/-30%	180,439
Loans and advances		+/-30%	594,416
Commitment, guarantees & LCs		+/-30%	8,889
Total			783,744

39. Financial Risk Management (Continued)

(b) Liquidity risk

The Group's liquidity risk policy is designed to ensure that it can meet cash obligations when they fall due and take advantage of unanticipated earnings enhancement opportunities.

Liquidity management within the Group, which incorporates funding risk management, ensures that there is a sufficient level of liquid assets available in addition to stable funding lines to meet ongoing cash commitments even during periods of stress. The management of liquidity risk is executed within a framework which comprises:

(i) Oversight by relevant governance committees;

(ii) Daily management of liquidity by the relevant treasury/investment units;

(iii) Use of tools to measure the Groups exposures;

(iv) Establishment and monitoring of limits/benchmarks for maturity mismatches and funding concentrations;

(v) Diversification of funding sources;

(vi) Maintenance of committed lines of credits; and

(vii) Monitoring of adherence to regulatory ratios.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month, respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The matching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group's liquidity exposure. It is unusual for companies to be completely matched since business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of loss.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

39. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Cash flows of financial liabilities

The tables below present the contractual maturities of undiscounted cash flows (both interest and principal cash flows) of the financial assets (expected) and liabilities (contractual and expected) based on the remaining period.

	The Group					
	Within 1 Month $'000	2 to 3 Months $'000	4 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Total $'000
As at September 30, 2023:						
Due to other banks	12,841,547	78,781	8,227,904	-	-	21,148,232
Customer deposits	520,405,263	38,763,547	8,061,871	4,660,039	532,841	572,423,561
Repurchase agreements	73,035,880	74,075,347	93,065,117	35,307,974	21,490,323	296,974,641
Obligations under securitisation arrangements	1,749,749	507,846	10,382,998	63,158,037	49,597,667	125,396,297
Other borrowed funds	3,472,199	619,067	12,165,761	13,684,025	19,392,227	49,333,279
Derivative financial instruments	9,192	-	-	-	-	9,192
Lease Liabilities	77,624	263,644	654,158	1,944,307	110,792	3,050,525
Other	27,318,043	-	-	-	-	27,318,043
Total financial liabilities (contractual maturity dates)	638,909,497	114,308,232	132,557,809	118,754,382	91,123,850	1,095,653,770
Total financial liabilities (expected maturity dates)	143,214,923	117,674,306	178,939,048	190,294,921	483,455,629	1,113,578,827
Total financial assets (expected maturity dates)	227,584,535	37,248,475	96,183,053	500,024,476	765,788,832	1,626,829,371

	The Group					
	Within 1 Month $'000	2 to 3 Months $'000	4 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Total $'000
As at September 30, 2022:						
Due to other banks	11,014,374	4,423,826	3,389,406	7,956,070	-	26,783,676
Customer deposits	489,326,940	24,430,498	29,941,184	3,967,474	-	547,666,096
Repurchase agreements	63,834,947	73,216,328	68,679,177	38,998,608	21,691,969	266,421,029
Obligations under securitisation arrangements	1,307,719	498,813	6,652,319	59,428,581	63,737,317	131,624,749
Other borrowed funds	1,343,254	1,951,078	5,751,733	5,089,473	16,845,778	30,981,316
Lease Liabilities	61,592	154,781	673,294	1,731,124	615,283	3,236,074
Other	23,890,248	-	-	-	-	23,890,248
Total financial liabilities (contractual maturity dates)	590,779,074	104,675,324	115,087,113	117,171,330	102,890,347	1,030,603,188
Total financial liabilities (expected maturity dates)	126,700,561	96,695,113	134,722,589	274,340,259	424,793,621	1,057,252,143
Total financial assets (expected maturity dates)	177,732,817	54,957,931	77,128,280	342,350,077	761,930,706	1,414,099,811

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39. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Cash flows of financial liabilities (continued)

	The Bank					
	Within 1 Month $'000	2 to 3 Months $'000	4 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Total $'000
As at September 30, 2023:						
Due to other banks	12,841,547	78,781	8,227,904	-	-	21,148,232
Customer deposits	516,561,924	8,592,226	7,431,112	209,262	552	532,795,076
Repurchase agreements	17,078,082	1,459,378	23,587,128	34,978,679	21,287,613	98,390,880
Obligations under securitisation arrangements	1,749,749	507,846	10,382,998	63,158,037	49,597,667	125,396,297
Other borrowed funds	89,617	329,715	600,558	4,222,139	19,392,227	24,634,256
Lease Liabilities	74,466	144,902	629,666	1,933,274	110,792	2,893,100
Other	18,168,638	-	-	-	-	18,168,638
Total financial liabilities (contractual maturity dates)	566,564,023	11,112,848	50,859,366	104,501,391	90,388,851	823,426,479
Total financial liabilities (expected maturity dates)	63,183,679	14,478,922	97,240,605	176,041,930	482,720,630	833,665,766
Total financial assets (expected maturity dates)	185,330,690	23,618,115	59,316,105	356,920,616	586,052,906	1,211,238,432

	The Bank					
	Within 1 Month $'000	2 to 3 Months $'000	4 to 12 Months $'000	1 to 5 Years $'000	Over 5 Years $'000	Total $'000
As at September 30, 2022:						
Due to other banks	20,716,449	4,423,826	3,389,406	7,956,070	-	36,485,751
Customer deposits	467,359,766	17,823,971	9,895,803	331,224	-	495,410,764
Repurchase agreements	9,162,504	4,208,123	7,879,343	38,599,547	21,691,969	81,541,486
Obligations under securitisation arrangements	1,307,719	498,813	6,652,319	59,428,581	63,737,317	131,624,749
Other borrowed funds	16,605	330,204	588,800	3,347,872	16,130,145	20,413,626
Lease Liabilities	74,906	147,220	630,587	1,595,073	598,246	3,046,032
Other	12,932,371	-	-	-	-	12,932,371
Total financial liabilities (contractual maturity dates)	511,570,320	27,432,157	29,036,258	111,258,367	102,157,677	781,454,779
Total financial liabilities (expected maturity dates)	47,491,807	19,451,946	48,671,734	268,427,296	424,060,951	808,103,734
Total financial assets (expected maturity dates)	141,479,297	47,946,851	55,707,353	256,302,840	589,690,904	1,091,127,245

39. Financial Risk Management (Continued)

(c) Liquidity risk (continued)

Cash flows of financial liabilities (continued)

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, central bank balances, items in the course of collection, investment securities and other eligible bills, loans and advances to banks, and loans and advances to customers. In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. In addition, debt securities and treasury and other bills have been pledged to secure liabilities. The Group is also able to meet unexpected net cash outflows by selling securities and accessing additional funding sources from other financial institutions.

Off-statement of financial position items

The tables below show the contractual expiry by maturity of commitments.

	The Group			
	No later than 1 year $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
At September 30, 2023				
Credit commitments	77,051,039	4,162	-	77,055,201
Guarantees, acceptances and other financial facilities	9,374,525	636,578	2,849,337	12,860,440
Capital commitments	9,080,269	-	-	9,080,269
	95,505,833	640,740	2,849,337	98,995,910
At September 30, 2022				
Credit commitments	78,310,350	4,373	-	78,314,723
Guarantees, acceptances and other financial facilities	8,016,692	970,349	2,825,606	11,812,647
Capital commitments	5,470,158	-	-	5,470,158
	91,797,200	974,722	2,825,606	95,597,528

	The Bank			
	No later than 1 year $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
At September 30, 2023				
Credit commitments	77,051,039	4,162	-	77,055,201
Guarantees, acceptances and other financial facilities	4,177,662	636,578	2,849,337	7,663,577
Capital commitments	9,080,269	-	-	9,080,269
	90,308,970	640,740	2,849,337	93,799,047
At September 30, 2022				
Credit commitments	78,310,350	4,373	-	78,314,723
Guarantees, acceptances and other financial facilities	4,072,708	970,349	2,825,606	7,868,663
Capital commitments	4,686,934	-	-	4,686,934
	87,069,992	974,722	2,825,606	90,870,320

39. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Cash flows of financial liabilities (continued)
Capital commitments are in relation to approved expenditures for property, plant, equipment and computer software that were unused as at the end of the respective financial years either because they relate to work in progress or are awaiting the start of the project. Of the total capital commitments, planned expenditure valuing $3,455,195,000 (2022 – $2,629,628,000) for the Group has already been contracted.

(c) Market risk
The Group takes on exposure to market risk, which is defined as the potential for loss arising from changes in the market value of the organisation's financial instruments due to changes in certain market variables, such as interest rates, foreign exchange rates, equity prices, market liquidity and credit spreads.

The Group incurs market risk primarily in treasury, trading and structural banking activities. The Group takes a comprehensive governance approach in accordance with the enterprise-wide risk management framework. This includes:

- Oversight provided by the relevant governance committees.
- An independent market risk oversight function.
- The utilisation of tools and models to measure market risk exposure.
- Limit setting mechanisms and a monitoring process.
- The utilisation of scenario analysis and of stress testing for worst case events.

(i) Currency risk
Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Foreign exchange risk occurs when the Group takes an open position in a currency. To control this exchange risk, the Group has approved limits for net open positions in each currency for both intra-day and overnight.

The Group also has transactional currency exposure. Such exposure arises from having financial assets in currencies other than those in which financial liabilities are expected to be settled. The Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign assets to address short term imbalances.

39. Financial Risk Management (Continued)

(c) Market risk (continued)

	The Group					
September 30, 2023	**JMD$ $'000**	**US$ $'000**	**GBP$ $'000**	**CAN$ $'000**	**Other $'000**	**Total $'000**
Assets						
Cash in hand and balances at Central Banks	42,228,205	27,466,831	1,891,762	1,932,235	44,485	73,563,518
Due from other banks	9,628,684	20,573,871	6,535,583	5,956,303	4,774,456	47,468,897
Reverse repurchase agreements	2,326,828	2,122,876	-	575,100	-	5,024,804
Loans and advances, net of provision for credit losses	343,442,086	113,172,612	-	8,681,756	-	465,296,454
Investment securities	168,717,228	325,741,934	3,702,739	25,063,563	14,152,377	537,377,841
Derivative financial instruments	143,867	710	-	-	-	144,577
Other	15,222,596	7,607,877	7,404	653,103	119,243	23,610,223
Total financial assets	581,709,494	496,686,711	12,137,488	42,862,060	19,090,561	1,152,486,314
Liabilities						
Due to other banks	7,946,324	12,269,542	341,025	5,631	169,804	20,732,326
Customer deposits	336,128,593	203,749,158	11,933,362	18,510,783	1,459,446	571,781,342
Repurchase agreements	94,771,102	162,357,233	-	14,363,794	6,490,941	277,983,070
Obligations under securitisation arrangements	-	99,157,288	-	-	-	99,157,288
Other borrowed funds	18,958,668	17,310,757	-	-	2,275,617	38,545,042
Derivative financial instruments	9,192	-	-	-	-	9,192
Lease Liabilities	1,595,937	552,256	-	23,848	-	2,172,041
Other	16,534,967	4,566,048	38,373	688,913	5,489,742	27,318,043
Total financial liabilities	475,944,783	499,962,282	12,312,760	33,592,969	15,885,550	1,037,698,344
Net position on- statement of financial position	105,764,711	(3,275,571)	(175,272)	9,269,091	3,205,011	114,787,970
Guarantees, acceptances and other financial facilities	6,614,742	6,175,577	-	-	70,120	12,860,439
Credit commitments	56,751,438	20,303,763	-	-	-	77,055,201

39. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Concentrations of currency risk – on- and off-statement of financial position financial instruments (continued)

	The Group					
	J$	US$	GBP	CAN$	Other	Total
September 30, 2022	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets						
Cash in hand and balances at Central Banks	31,938,577	27,548,760	1,685,059	426,536	1,499,108	63,098,040
Due from other banks	6,423,835	37,848,303	5,337,414	2,403,180	13,431,024	65,443,756
Investment securities	1,904,969	4,070,691	-	-	790,288	6,765,948
Reverse repurchase agreements	318,415,054	113,981,137	-	-	6,763,872	439,160,063
Loans and advances, net of provision for credit losses	139,583,167	293,315,754	3,394,132	-	21,410,775	457,703,828
Derivative financial instruments	686,899	-	-	-	-	686,899
Other	15,512,135	5,498,037	-	98	885,639	21,895,909
Total financial assets	514,464,636	482,262,682	10,416,605	2,829,814	44,780,706	1,054,754,443
Liabilities						
Due to other banks	2,902,854	22,676,213	100,985	63,496	26,119	25,769,667
Customer deposits	307,406,842	200,228,357	11,061,970	2,787,974	18,377,107	539,862,250
Repurchase agreements	67,831,391	160,990,623	-	-	17,131,673	245,953,687
Obligations under securitisation arrangements	-	100,267,723	-	-	-	100,267,723
Other borrowed funds	15,387,808	10,426,681	-	-	-	25,814,489
Lease Liabilities	1,915,657	700,027	-	-	38,629	2,654,313
Other	16,473,729	4,960,823	131,188	275,188	2,049,320	23,890,248
Total financial liabilities	411,918,281	500,250,447	11,294,143	3,126,658	37,622,848	964,212,377
Net position on- statement of financial position	102,546,355	(17,987,765)	(877,538)	(296,844)	7,157,858	90,542,066
Guarantees, acceptances and other financial facilities	8,820,644	2,893,514	-	-	98,489	11,812,647
Credit commitments	59,231,855	19,082,868	-	-	-	78,314,723

39. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Concentrations of currency risk – on- and off-statement of financial position financial instruments (continued)

	The Bank					
	J$	US$	GBP	CAN$	Other	Total
September 30, 2023	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets						
Cash in hand and balances at Central Bank	42,089,525	27,463,516	1,891,762	502,538	44,485	71,991,826
Due from other banks	6,770,635	20,948,840	5,643,233	1,322,101	2,678,848	37,363,657
Loans and advances, net of provision for credit losses	342,913,287	104,283,557			-	447,196,844
Derivative financial instruments	143,867	710	-	-	-	144,577
Investment Securities	80,306,721	180,034,259	3,702,739	896,969	757,730	265,698,418
Other	19,768,384	4,795,712	6,349		-	24,570,445
Total financial assets	491,992,419	337,526,594	11,244,083	2,721,608	3,481,063	846,965,787
Liabilities						
Due to other banks	7,691,649	12,269,542	341,025	5,631	164,753	20,472,600
Customer deposits	344,895,718	172,062,775	11,401,073	2,953,073	1,241,574	532,554,213
Repurchase agreements	29,495,027	53,203,194	-	-	-	82,698,221
Obligations under securitisation arrangements	-	99,157,288	-	-	-	99,157,288
Other borrowed funds	14,772,222	2,993,977	-	-	-	17,766,199
Lease Liabilities	1,591,170	439,557	-	-	-	2,030,727
Other	12,866,512	5,263,219	5,625.00	10,635	22,647	18,168,638
Total financial liabilities	411,312,298	345,389,552	11,747,723	2,969,339	1,428,974	772,847,886
Net position on- statement of financial position	80,680,121	(7,862,958)	(503,640)	(247,731)	2,052,089	74,117,881
Guarantees, acceptances and other financial facilities	3,242,880	4,350,577	70,120	-	-	7,663,577
Credit commitments	56,751,438	20,303,763	-	-	-	77,055,201

39. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Concentrations of currency risk – on- and off-statement of financial position financial instruments (continued)

	The Bank					
	J$	US$	GBP	CAN$	Other	Total
September 30, 2022	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets						
Cash in hand and balances at Central Bank	31,707,594	27,521,897	1,685,059	426,536	19,898	61,360,984
Due from other banks	6,241,240	32,467,349	5,241,318	2,394,966	2,383,311	48,728,184
Loans and advances, net of provision for credit losses	317,908,740	104,219,438	-	-	-	422,128,178
Investment Securities	453,987	-	-	-	-	453,987
Derivative financial instruments	59,062,107	169,966,549	3,394,132	-	742,447	233,165,235
Other	15,066,598	3,733,648	-	-	364,104	19,164,350
Total financial assets	430,440,266	337,908,881	10,320,509	2,821,502	3,509,760	785,000,918
Liabilities						
Due to other banks	2,957,384	32,043,100	287,257	64,898	77,777	35,430,416
Customer deposits	309,835,487	170,237,983	10,986,736	2,848,770	1,129,760	495,038,736
Repurchase agreements	9,740,643	61,345,659	-	-	-	71,086,302
Obligations under securitisation arrangements	-	100,267,722	-	-	-	100,267,722
Other borrowed funds	13,089,018	2,484,979	-	-	-	15,573,997
Lease Liabilities	1,893,835	572,871	-	-	-	2,466,706
Other	8,873,301	3,756,575	14,205	256,819	31,471	12,932,371
Total financial liabilities	346,389,668	370,708,889	11,288,198	3,170,487	1,239,008	732,796,250
Net position on- statement of financial position	84,050,598	(32,800,008)	(967,689)	(348,985)	2,270,752	52,204,668
Guarantees, acceptances and other financial facilities	6,616,367	1,153,806	-	-	98,490	7,868,663
Credit commitments	59,231,855	19,082,868	-	-	-	78,314,723

39. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Foreign currency sensitivity

The following table indicates the currencies to which the Group and the Bank have significant exposures on its monetary assets and liabilities and its forecast cash flows. The change in currency rates below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents the outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for changes in foreign currency rates. The sensitivity analysis includes loans and advances to customers, investment securities and deposits. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in each variable, variables had to be considered on an individual basis. It should be noted that movements in these variables are non-linear. There was no effect on other comprehensive income.

	2023			2022		
	% Change in Currency Rate	Effect on Profit Before Tax The Group	The Bank	% Change in Currency Rate	Effect on Profit Before Tax The Group	The Bank
		$'000	$'000		$'000	$'000
Currency:						
USD	Appreciation 1%	32,756	78,630	Appreciation 2%	359,755	656,000
	Depreciation 4%	(131,024)	(314,518)	Depreciation 8%	(1,439,021)	(2,624,001)
GBP	Appreciation 1%	1,753	5,036	Appreciation 2%	877,537	19,354
	Depreciation 4%	(7,011)	(20,146)	Depreciation 8%	(70,203)	(77,415)
CAN	Appreciation 1%	(92,691)	2,477	Appreciation 2%	5,937	6,980
	Depreciation 4%	370,764	(9,909)	Depreciation 8%	(23,748)	(27,919)

(ii) Interest rate risk

Interest rate risk arises when the Group's principal and interest cash flows from on and off statement of financial position items have mismatched repricing dates. The short term impact is experienced on the Group's net interest income and long term impact is felt on its equity.

The Group incurs interest rate mismatches from its interest bearing assets and liabilities with the size of such exposure being heavily dependent on the direction and degree of interest rate movements in addition to the size and maturity structure of the mismatched position. The Group's policy requires that such mismatches are managed. Accordingly, the Board requires that a comprehensive system of limits, gap analysis and stress testing be used to manage the Group's exposure.

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

39. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

The Group's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. Limits are established and monitored with respect to the level of mismatch of interest rate repricing that may be undertaken.

The following tables summarise the exposure to interest rate risk. It includes the financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	The Group						
	Within 1 Month	2 to 3 Months	4 to 12 Months	1 to 5 Years	Over 5 Years	Non-Interest Bearing	Total
September 30, 2023	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets							
Cash in hand and balances at Central Banks	1,202,223	-	-	-	-	72,361,295	73,563,518
Due from other banks	10,798,319	9,516,368	-	-	-	27,154,210	47,468,897
Reverse repurchase agreements	3,116,375	1,848,789	-	-	-	59,640	5,024,804
Loans and advances, net of provision for credit losses	56,442,995	5,620,437	21,458,214	159,152,407	221,473,785	1,148,616	465,296,454
Investment securities	23,849,807	26,442,460	50,931,521	195,540,626	215,517,503	25,095,924	537,377,841
Derivative financial instruments	-	-	-	-	-	144,577	144,577
Other	-	-	-	-	-	23,610,223	23,610,223
Total financial assets	95,409,719	43,428,054	72,389,735	354,693,033	436,991,288	149,574,485	1,152,486,314
Liabilities							
Due to other banks	6,724,726	-	7,738,581	-	-	6,269,019	20,732,326
Customer deposits	526,384,020	22,376,127	14,017,251	4,390,186	-	4,613,758	571,781,342
Repurchase agreements	72,159,778	71,287,252	87,071,154	25,429,882	18,450,045	3,584,959	277,983,070
Obligations under securitisation arrangements	854,779	-	6,294,943	46,776,164	44,323,450	907,952	99,157,288
Other borrowed funds	2,409,311	47,781	10,667,002	8,752,698	16,346,167	322,083	38,545,042
Derivate financial instruments	-	-	-	-	-	9,192	9,192
Lease Liabilities	45,985	125,492	566,918	943,184	490,462	-	2,172,041
Other	-	-	-	-	-	27,318,043	27,318,043
Total financial liabilities	608,578,599	93,836,652	126,355,849	86,292,114	79,610,124	43,025,006	1,037,698,344
On-statement of financial position interest sensitivity gap	(513,168,880)	(50,408,598)	(53,966,114)	268,400,919	357,381,164	106,549,479	114,787,970
Cumulative interest sensitivity gap	(513,168,880)	(563,577,478)	(617,543,592)	(349,142,673)	8,238,491	114,787,970	

39. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

	The Group						
September 30, 2022	**Within 1 Month $'000**	**2 to 3 Months $'000**	**4 to 12 Months $'000**	**1 to 5 Years $'000**	**Over 5 Years $'000**	**Non-Interest Bearing $'000**	**Total $'000**
Assets							
Cash in hand and balances at Central Banks	3,683,604	-	-	-	-	59,414,436	63,098,040
Due from other banks	55,276,878	8,613,066	-	-	-	1,553,812	65,443,756
Reverse repurchase agreements	3,388,483	1,737,204	1,612,115	-	-	28,146	6,765,948
Loans and advances, net of provision for credit losses	40,214,280	5,993,811	19,185,946	141,796,021	230,770,315	1,199,690	439,160,063
Investment securities	24,041,589	49,213,981	30,142,565	91,070,607	244,941,704	18,293,382	457,703,828
Derivative financial instruments	-	-	-	-	-	686,899	686,899
Other	-	-	-	-	-	21,895,909	21,895,909
Total financial assets	126,604,834	65,558,062	50,940,626	232,866,628	475,712,019	103,072,274	1,054,754,443
Liabilities							
Due to other banks	4,790,382	3,800,478	3,040,382	7,600,936	-	6,537,489	25,769,667
Customer deposits	477,637,564	24,703,800	29,435,225	5,383,930	-	2,701,731	539,862,250
Repurchase agreements	58,949,360	70,030,496	63,103,079	34,092,697	17,934,682	1,843,373	245,953,687
Obligations under securitisation arrangements	793,964	-	2,449,513	40,930,415	55,571,379	522,451	100,267,722
Other borrowed funds	1,320,679	1,588,876	5,176,635	2,325,111	15,175,940	227,248	25,814,489
Lease Liabilities	23,099	46,262	214,483	2,172,409	89,015	109,045	2,654,313
Other	-	-	-	-	-	23,890,248	23,890,248
Total financial liabilities	543,515,048	100,169,912	103,419,317	92,505,498	88,771,016	35,831,585	964,212,376
On-statement of financial position interest sensitivity gap	(416,910,214)	(34,611,850)	(52,478,691)	140,361,130	386,941,003	67,240,689	90,542,067
Cumulative interest sensitivity gap	(416,910,214)	(451,522,064)	(504,000,755)	(363,639,625)	23,301,378	90,542,067	

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39. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

	The Bank						
	Within 1 Month	**2 to 3 Months**	**4 to 12 Months**	**1 to 5 Years**	**Over 5 Years**	**Non-Interest Bearing**	**Total**
September 30, 2023	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets							
Cash in hand and balances at Central Bank	1,060,669	-	-	-	-	70,931,157	71,991,826
Due from other banks	8,578,385	9,516,368	-	-	-	19,268,904	37,363,657
Loans and advances, net of provision for credit losses	54,167,930	4,909,735	20,561,070	153,349,371	213,320,898	887,840	447,196,844
Investment securities	9,221,377	10,688,233	26,597,089	103,040,086	112,769,853	3,381,780	265,698,418
Derivative financial instruments	-	-	-	-	-	144,577	144,577
Other	-	-	-	-	-	24,570,445	24,570,445
Total financial assets	73,028,361	25,114,336	47,158,159	256,389,457	326,090,751	119,184,703	846,965,767
Liabilities							
Due to other banks	6,465,000	-	7,738,581	-	-	6,269,019	20,472,600
Customer deposits	505,034,514	15,745,569	7,225,595	174,834	-	4,373,701	532,554,213
Repurchase agreements	16,967,252	905,000	20,789,955	25,116,771	18,259,459	659,784	82,698,221
Obligations under securitisation arrangements	854,779	-	6,294,943	46,776,164	44,323,450	907,952	99,157,288
Other borrowed funds	15,507	33,556	127,820	1,068,059	16,346,167	175,090	17,766,199
Lease Liabilities	58,938	118,942	542,426	932,151	378,270	-	2,030,727
Other	-	-	-	-	-	18,168,638	18,168,638
Total financial liabilities	529,395,990	16,803,067	42,719,320	74,067,979	79,307,346	30,554,184	772,847,886
On-statement of financial position interest sensitivity gap	(456,367,629)	8,311,269	4,438,839	182,321,478	246,783,405	88,630,519	74,117,881
Cumulative interest sensitivity gap	(456,367,629)	(448,056,360)	(443,617,521)	(261,296,043)	(14,512,638)	74,117,881	-

39. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

	The Bank						
	Within 1 Month	**2 to 3 Months**	**4 to 12 Months**	**1 to 5 Years**	**Over 5 Years**	**Non-Interest Bearing**	**Total**
September 30, 2022	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets							
Cash in hand and balances at Central Bank	3,426,467	-	-	-	-	57,934,517	61,360,984
Due from other banks	38,561,306	8,613,066	-	-	-	1,553,812	48,728,184
Loans and advances, net of provision for credit losses	36,921,305	5,927,861	18,465,102	138,056,597	221,752,114	1,005,199	422,128,178
Investment securities	19,829,419	33,597,808	20,593,527	32,877,039	123,424,064	2,843,378	233,165,235
Derivative financial instruments	-	-	-	-	-	453,987	453,987
Other	-	-	-	-	-	19,164,350	19,164,350
Total financial assets	98,738,497	48,138,735	39,058,629	170,933,636	345,176,178	82,955,243	785,000,918
Liabilities							
Due to other banks	12,771,385	3,800,478	3,040,382	7,600,936	-	8,217,235	35,430,416
Customer deposits	461,482,201	18,141,483	9,764,865	1,946,083	-	3,704,104	495,038,736
Repurchase agreements	9,004,099	3,668,225	6,273,819	33,711,894	17,934,682	493,583	71,086,302
Obligations under securitisation arrangements	793,964	-	2,449,513	40,930,415	55,571,379	522,451	100,267,722
Other borrowed funds	19,820	23,870	167,301	752,962	14,470,342	139,702	15,573,997
Lease Liabilities	20,802	41,604	187,218	2,130,508	86,574	-	2,466,706
Other	-	-	-		-	12,932,371	12,932,371
Total financial liabilities	484,092,271	25,675,660	21,883,098	87,072,798	88,062,977	26,009,446	732,796,250
On-statement of financial position interest sensitivity gap	(385,353,774)	22,463,075	17,175,531	83,860,838	257,113,201	56,945,797	52,204,668
Cumulative interest sensitivity gap	(383,353,774)	(362,890,699)	(342,715,168)	(261,854,330)	(4,741,129)	52,204,668	

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39. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

The tables below summarise the effective interest rates for financial instruments by major currencies.

	The Group				The Bank			
	J$	**US$**	**CAN$**	**GBP**	**J$**	**US$**	**CAN$**	**GBP**
	%	**%**	**%**	**%**	**%**	**%**	**%**	**%**
September 30, 2023								
Assets								
Balances at Central Banks	7.0	-	-	-	7.0	-	-	-
Due from other banks	6.0	1.35	-	-	6.0	1.35	-	-
Reverse repurchase agreements	7.47	3.75	-	-	-	-	-	-
Loans and advances	11.30	8.06	-	-	11.30	8.06	-	-
Investment securities	6.84	5.10	5.06	5.50	6.29	4.37	-	5.50
Liabilities								
Due to other banks	8.44	7.91	-	-	8.22	7.91	-	-
Customer deposits	1.26	0.64-	-	-	1.26	0.64	-	-
Repurchase agreements	9.02	3.81	-	-	9.37	3.88	-	-
Obligations under securitisation arrangements	-	5.68	-	-	-	5.68	-	-
Other borrowed funds	4.71	6.32	-	-	4,71	2.70	-	-
September 30, 2022								
Assets								
Balances at Central Banks	0.50	-	-	-	0.50	-	-	-
Due from other banks	-	0.2	-	-	-	0.2	-	-
Reverse repurchase agreements	8.00	3.00	-	-	-	-	-	-
Loans and advances	10.73	7.36	-	-	10.74	6.36		
Investment securities	7.31	5.26	-	-	6.95	4.74	-	-
Liabilities								
Due to other banks	8.03	2.64	-	-	8.03	2.64	-	-
Customer deposits	0.54	0.73	0.09	0.11	0.54	0.73	0.09	0.11
Repurchase agreements	7.26	3.26	-	-	7.91	3.61	-	-
Obligations under securitisation arrangements	-	5.71	-	-	-	5.71	-	-
Other borrowed funds	5.40	-	-	-	6.44	3.63	-	-

39. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

Interest rate sensitivity

The following table indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on the income statement and stockholders' equity.

The sensitivity of the profit or loss is the effect of the assumed changes in interest rates on net income based on the floating rate of non-trading financial assets and financial liabilities. The sensitivity of other comprehensive income is calculated by revaluing fixed rate FVOCI financial assets for the effects of the assumed changes in interest rates. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variable, variables had to be assessed on an individual basis. The movements in these variables are non-linear.

	The Group	
	Effect on Profit before Tax	Effect on Other Components of Equity
	2023 $'000	2023 $'000
Change in basis points:		
Decrease - JMD -100 and USD -100	(1,863)	3,012,652
Increase - JMD +100 and USD +100	(189)	(5,179,603)

	2023 $'000	2022 $'000
Change in basis points:		
Decrease - JMD -100 and USD -100	(38,898)	7,645,807
Increase - JMD +100 and USD +100	165,864	(26,847,516)

	The Bank	
	Effect on Profit before Tax	Effect on Other Components of Equity
	2023 $'000	2023 $'000
Change in basis points:		
Decrease - JMD -100 and USD -100	(2,714)	569,381
Increase - JMD +100 and USD +100	5,429	(1,015,716)

39. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

Interest rate sensitivity (continued)

	The Bank	
	Effect on Profit before Tax	Effect on Other Components of Equity
	2023 $'000	2022 $'000
Change in basis points:		
Decrease - JMD -100 and USD -100	(27,783)	3,481,243
Increase - JMD +100 and USD +100	111,131	(12,127,939)

39. Financial Risk Management (Continued)

(c) Market risk (continued)

(iii) Other price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified either as FVOCI or at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The Group's investments in quoted equity securities are of entities that are publicly traded on the Jamaica Stock Exchange.

Sensitivity to changes in price of equity securities

The following table indicates the sensitivity to a reasonable possible change in prices of equity securities, with all other variables held constant, on the income statement and stockholders' equity.

The sensitivity of the profit or loss is the effect of the assumed fair value changes of investment securities classified at fair value through profit or loss. The sensitivity of other comprehensive income is the effect of the assumed fair value changes of investment securities classified as FVOCI. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variable, variables had to be assessed on an individual basis. It should be noted that movements in these variables are non-linear.

	The Group			
	Effect on Profit before Tax	Effect on Equity	Effect on Profit before Tax	Effect on Equity
	2023 $'000	2023 $'000	2022 $'000	2022 $'000
Percentage change in share price				
10% decrease	(1,778,924)	-	(1,234,954)	-
10% increase	1,778,924	-	1,234,954	-

	The Bank			
	Effect on Profit before Tax	Effect on Equity	Effect on Profit before tax	Effect on Equity
	2023 $'000	2023 $'000	2022 $'000	2022 $'000
Percentage change in share price				
10% decrease	(18)	-	(18)	-
10% increase	18	-	18	-

39. Financial Risk Management (Continued)

(c) Derivative financial instruments

The Group's derivative transactions are primarily directed at hedging its risk exposures which arise during the normal course of its treasury and investment activities. When entering into derivative transactions, the Group employs the same credit risk management procedures to assess and approve potential credit exposures that are used for traditional lending.

(d) Capital management

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of statement of financial position, are:

- To comply with the capital requirements set by the regulators of the financial markets where the entities within the Group operate;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for stockholders and benefits for other stakeholders; and,
- To maintain a strong capital base to support the development of its business.

All of the Group's significant subsidiaries and associates are individually regulated by the relevant regulator in their jurisdiction or other regulators. The regulatory requirements to which the subsidiaries are subject include minimum capital and liquidity requirements which may limit their ability to extract capital or funds for other uses. The Group's subsidiaries and associates are also subject to statutory requirements to restrict distributions of capital and generally to maintain solvency. In most cases, the regulatory restrictions are more onerous than the statutory restrictions. Certain Group subsidiaries also raise finance using their financial assets as collateral. Encumbered assets are not available for transfer around the Group. The assets typically affected are disclosed in Note 19.

(i) The Bank

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on the guidelines developed by the Central Bank, and the relevant management committees. The required information is filed with the respective Authority at the stipulated intervals.

The Central Bank requires the Bank to:

- Hold a specified level of regulatory capital; and,
- Maintain a ratio of total regulatory capital to risk-weighted assets.

The Bank's regulatory capital is divided into two tiers:

Tier 1 capital: ordinary share capital, non-redeemable non-cumulative preference shares, statutory reserve fund and retained earnings reserves. Goodwill, other intangibles and any net loss arising from the aggregate of current year profit or loss, undistributed profits or accumulated losses for prior financial years any loss positions on revaluation reserves arising from fair value accounting, are deducted in arriving at Tier 1 capital; and,

Tier 2 capital: non-redeemable cumulative preference shares, redeemable preference shares having an original term to maturity of five years or more, qualifying subordinated debt and general provisions for loss.

39. Financial Risk Management (Continued)

(e) Capital management (continued)

Equity investments in unconsolidated subsidiaries, substantial investment in any other unconsolidated entities or companies and share of accumulated losses of any unconsolidated entities are deducted from Tier 1 and Tier 2 capital to arrive at the regulatory capital. The risk-weighted assets are measured by means of a hierarchy of four risk weights classified according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-statement of financial position exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The Bank met all the regulatory capital requirements as at September 30, 2023.

(ii) NCB Insurance Agency and Fund Managers

NCBIA&FM maintains a capital structure consisting of shareholders' funds consistent with the company's profile and the regulatory and market requirements. The company is subjected to a number of regulatory capital tests and also employs basic stress testing on a quarterly basis to assess the adequacy of capital. The company has met all of these requirements during the year. Capital adequacy is managed at the operational level.

In reporting financial strength, capital and solvency is measured using the regulations prescribed by the FSC. These regulatory capital tests are based upon required levels of solvency capital.

This ratio is calculated by comparing available capital and surplus to a minimum requirement set by the FSC in regard to the asset and liability profile of the company. The company met all FSC regulatory capital requirements as at September 30, 2023.

39. Financial Risk Management (Continued)

(e) Capital management (continued)

(iii) NCB Capital Markets Limited

The company is regulated by the FSC and is subject to regulatory capital tests employed by the regulator. Under the FSC regulations, the level of capital adequacy determines the maximum amount of liabilities including repurchase agreements NCBCM is able to offer to clients. In addition to the requirements of the FSC, NCBCM also engages in periodic internal testing of its capital adequacy which is reviewed by the Risk Management Committee.

The regulatory capital of the company is divided into two tiers:
(i) Tier 1 capital: share capital, retained earnings and reserves created from appropriations of retained earnings.
(ii) Tier 2 capital: qualifying subordinated debt or loan capital, qualifying capital reserves and unrealised gains derived from the fair valuation of equity instruments classified as FVOCI.

The FSC requires that the company maintain a capital base comprising at least 50% of Tier 1 capital.

In addition, the FSC employs certain ratios to test capital adequacy and solvency. The results of these ratios are included in a mandatory quarterly report submitted to the FSC. Two of the critical early warning ratios relating to the test for capital adequacy are ‘Capital over Total Assets’ and the ‘Capital Base over Risk Weighted Assets (RWA)’.

There was no change in relation to how the company manages its capital during the financial year.

NCBCM met all the FSC regulatory capital requirements as at September 30, 2023.

40. Fair Values of Financial Instruments

The Group measures fair values using the following fair value hierarchy which reflects the significance of the inputs used in making the measurements:

- Level 1 – inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2 – inputs other than quoted market prices included within level 1 that are observable, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 – inputs that are unobservable.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets is the current bid price. These instruments are grouped in Level 1 and comprise most equity securities that are quoted on the Jamaica Stock Exchange.

The fair value of financial instruments not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. This category includes government bonds, certificates of deposit, commercial paper, most liquid corporate bonds and certain equity securities that are quoted on the Jamaica Stock Exchange. Indicative prices or yields of these instruments are obtained from regular, publicly available quotes by reputable pricing services, dealers and brokers, such as Bloomberg and Oppenheimer. The Group's derivatives are also included in Level 2. The embedded put option is valued using a discounted cash flow model representing the difference between the present values of future cash flows with and without exercise of the put option using observable market yields for government bonds of similar tenure. Equity-linked options are valued using standard option pricing models using observable market data from Bloomberg.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

The valuation of unquoted equity instruments is subjective by nature. The determination of the fair values of unquoted equity securities requires the use of a number of individual pricing benchmarks which would involve unobservable inputs, such as earnings estimates, multiples of comparative companies, marketability discounts and discount rates.

40. Fair Values of Financial Instruments (Continued)

The following tables provide an analysis of financial instruments held as at the date of the statement of financial position that, subsequent to initial recognition, are measured at fair value. The financial instruments are classified in the fair value hierarchy into which the fair value measurement is categorised:

	The Group			
	Level 1	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
At September 30, 2023				
Financial assets				
Investment securities classified as FVOCI				
Government of Jamaica debt securities	-	155,660,340	616,360	156,276,700
Other government securities	-	75,801,979	-	75,801,979
Corporate debt securities	1,277,407	14,195,501	55,996,585	71,469,493
	1,277,407	245,657,820	56,612,945	303,548,172
Investment securities at fair value through profit or loss				
Government of Jamaica debt securities	-	1,524,359	-	1,524,359
Other government securities	-	222,226	-	222,226
Corporate debt securities	6,092	109,472	595,049	710,613
Quoted and unquoted equities	9,728,717	788,228	7,272,292	17,789,237
Collective Investment Schemes	-	686,834	-	686,834
	9,734,809	3,331,119	7,867,341	20,933,269
	11,012,216	248,988,939	64,480,286	324,481,441

40. Fair Values of Financial Instruments (Continued)

	The Group			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
At September 30, 2022				
Financial assets				
Investment securities classified as FVOCI				
Government of Jamaica debt securities	-	251,593,895	2,056,562	253,650,457
Other government securities	-	39,904,634	456,057	40,360,691
Corporate debt securities	1,520,720	16,489,813	57,328,625	75,339,158
	1,520,720	307,988,342	59,841,244	369,350,306
Investment securities at fair value through profit or loss				
Government of Jamaica debt securities	-	1,234,635	-	1,234,635
Other government securities	-	134,802	-	134,802
Corporate debt securities	6,702	55,931	1,467,872	1,530,505
Quoted and unquoted equities	6,945,237	669,379	4,734,929	12,349,545
Collective Investment Schemes	-	165,601	-	165,601
	6,951,939	2,260,348	6,202,801	15,415,088
	8,472,659	310,248,690	66,044,045	384,765,394

The movement in the Group's financial assets classified as Level 3 during the year is as follows:

	The Group	
	2023	2022
	$'000	$'000
At start of year	66,044,045	76,637,470
Acquisitions	5,071,874	11,863,798
Disposals	(4,439,642)	(17,156,312)
Sales/maturities	(3,560,530)	(2,632,198)
Fair value gains	1,364,539	(2,668,713)
At end of year	64,480,286	66,044,045

National Commercial Bank Jamaica Limited

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September 30, 2023 (expressed in Jamaican dollars unless otherwise indicated)

40. Fair Values of Financial Instruments (Continued)

	The Bank			
	Level 1	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
At September 30, 2023				
Financial assets				
Investment securities classified as FVOCI				
Government of Jamaica debt securities	-	39,360,474	-	39,360,474
Other government securities	-	31,927,900	-	31,927,900
Corporate debt securities	-	-	4,861,259	4,861,259
	-	71,288,374	4,861,259	76,149,633
Investment securities at fair value through profit or loss				
Quoted & unquoted equity securities	-	-	18,255	18,255
	-	-	18,255	18,255
	-	71,288,374	4,879,514	76,167,888
September 30, 2022				
Financial assets				
Investment securities classified as FVOCI				
Government of Jamaica debt securities	-	153,062,100	-	153,062,100
Other government securities	-	9,136,351	-	9,136,351
Corporate debt securities	-	4,593,626	4,856,186	9,449,812
	-	166,792,077	4,856,186	171,648,263
Investment securities at fair value through profit or loss				
Corporate debt securities	-	-	18,255	18,255
Quoted & unquoted equity securities	-	-	18,255	18,255
	-	166,792,077	4,874,441	171,666,518

The movement in the Company's financial assets classified as Level 3 during the year is as follows:

	The Bank	
	2023	**2022**
	$'000	**$'000**
At start of year	4,874,441	3,839,174
Additions	-	2,759,912
Disposals	-	(996,658)
Fair value gains	5,073	(727,987)
At end of year	4,879,514	4,874,441

40. Fair Values of Financial Instruments (Continued)

Sensitivity analysis

The following table summarise the quantitative information about the significant unobservable inputs used in Level 3 fair value measurements.

	2023		
Description	**Unobservable input**	**Change in basis points**	**Change in fair value $'000**
Other corporate bonds	Risk premium	JMD -100; and, USD -50	399,837
		JMD +100; and, USD +100	(357,532)

	2022		
Description	**Unobservable input**	**Change in basis points**	**Change in fair value $'000**
Other corporate bonds	Risk premium	JMD -100; and, USD -50	689,233
		JMD +100; and, USD +100	(2,375,336)

The Group's level 3 unquoted equity securities would decrease in value by $359,370,000 should there be a 6% increase/decrease in value (2022 - $190,228,000) assuming a 5% decrease.

The carrying value (excluding accrued interest) (Note 18) and fair value of investment securities classified as amortised cost, are as follows:

	The Group		The Bank	
	Carrying Value $'000	**Fair Value $'000**	**Carrying Value $'000**	**Fair Value $'000**
At September 30, 2023	206,361,123	185,425,716	186,248,676	164,958,164
At September 30, 2022	66,539,784	57,433,018	58,677,444	55,182,622

Similar to debt securities classified as FVOCI, the above fair value measurements fall within Level 2 of the fair value hierarchy as indicative prices or yields of these instruments are obtained from regular, publicly available quotes by reputable pricing services, dealers and brokers, such as Bloomberg and Oppenheimer.

41. Fiduciary Activities

The Group provides custody, trustee, corporate administration, investment management and advisory services to third parties which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements. At September 30, 2023, the Group had financial assets under administration of approximately $92,634,300,000 (2022 – $95,416,439,000).

42. Dividends

The following dividends were paid during the year:
- $4.514 per ordinary stock unit was paid in June 2023
- $1.77 per ordinary stock unit was paid in September 2023

43. Litigation and Contingent Liabilities

The Group is subject to various claims, disputes and legal proceedings, as part of the normal course of business. Provision is made for such matters when, in the opinion of management and its professional advisors, it is probable that a payment will be made by the Group, and the amount can be reasonably estimated.

In respect of claims asserted against the Group for which, according to the principles outlined above, no provision has been made, management is of the opinion that such claims are without merit and can be successfully defended. Significant matters are as follows, all relating to National Commercial Bank Jamaica Limited:

(a) Suit has been filed by the NCB Staff Association against the Bank seeking various declarations regarding the Bank’s profit sharing scheme, in particular as it relates to the financial year ended September 30, 2002. The Association did not quantify the claim. In 2017, the Supreme Court decided in favor of the NCB Staff Association. The Bank filed an appeal against the judgment. The appeal was heard for 3 days in June 2020 at the end of which the Court of Appeal reserved its judgment. In July, 2020 the Court of Appeal handed down its Judgment dismissing the Bank’s Appeal and affirming the decision of the Supreme Court. The Bank subsequently commenced the process of having an appeal heard by the Judicial Committee of the Privy Council. Provision for the claim has been made in the financial statements

(b) Suit has been filed by a customer against the Bank for damages suffered as a result of the Bank’s alleged negligence in relation to the sale of property. The proper value of the property, which had been owned by the customer, is in issue, along with the amount properly to be applied to the customer’s loan balance. Based on the advice of the Bank’s attorneys, no provision has been made in the financial statements in respect of this claim.

(b) Suit has been filed by a customer against the Bank for unlawful, wrongful and/or improper use of power in the appointment of a Receiver and manager of the customer’s business property and assets. Damages, interest and costs have been claimed against the Bank. No provision has been made in the financial statements for this claim as the Bank’s attorneys are of the opinion that the claim is unlikely to succeed

43. Litigation and Contingent Liabilities (Continued)

(d) Suit was filed by a claimant seeking specific performance, damages for breach of contract, interest and costs. At the time of trial, the claim against the Bank was quantified by the Claimant at approximately $31.4 billion plus interest and costs. The Supreme Court issued judgment in the Bank's favor, with the Court ordering a company (placed by the Bank into receivership) to pay the Claimant $5 million plus interest. However, the claim had to be re-tried due to the retirement of the trial judge. Following the re-trial, in January 2023, the Supreme Court handed down its decision in which the company the Bank had placed into receivership was ordered to pay the Claimant $2.5 million plus interest, while no adverse orders were made against the Bank. The Claimants have, however, appealed.

No provision has been made for this claim as the Bank's attorneys are of the opinion that given the lack of adverse orders against the Bank, the Bank ought to succeed in defending the judgment on appeal.

A number of other suits have been filed by stakeholders of the Group. In some instances, counter- claims have been filed by the Group. Provision of $772,379,740 has been made in the financial statements for certain of these claims. No provision has been made where the Group's attorneys are of the view that the Group has a good defence against these claims.

44. Reconciliation of Liabilities arising from Financial Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash. Financing activities represent bank and other loans, excluding bank overdrafts and amounts included as cash and cash equivalents:

	The Group			
Liabilities	**Other borrowed funds $'000**	**Obligation under securitisation arrangements $'000**	**Leases $'000**	**Total $'000**
At October 1, 2021	22,138,315	63,087,217	1,887,608	87,113,140
Cash movements -				
Drawdowns	8,341,830	45,187,455	-	53,529,285
Repayment - principal	(4,828,656)	(9,089,479)	(877,307)	(14,795,442)
Non-cash movements -				
Additions	-	-	1,644,012	1,644,012
Amortisation of upfront fees	-	(575,919)	-	(575,919)
Foreign exchange adjustments	153,526	380,473	-	533,999
Interest payable	9,474	95,911	-	105,385
At September 30, 2022	25,814,489	99,085,658	2,654,313	127,554,460
Cash movements -				
Drawdowns	18,956,009	-	-	18,56,009
Repayment - principal	(6,347,103)	(2,745,242)	(923,240)	(10,015,585)
Non-cash movements -				
Additions	-	-	440,968	440,968
Amortisation of upfront fees	-	219,783	-	219,783
Foreign exchange adjustments	56,105	1,249,307	-	1,305,412
Interest payable	65,542	385,501	-	451,043
At September 30, 2023	38,545,042	98,195,007	2,172,041	138,912,090

44. Reconciliation of Liabilities arising from Financial Activities (Continued)

	The Bank			
Liabilities	Other borrowed funds $'000	Obligation under securitisation arrangements $'000	Leases $,000	Total $'000
At October 1, 2021	11,432,126	63,087,217	1,724,855	76,244,198
Cash movements -				
Drawdowns	7,222,840	45,187,455	-	53,959,657
Repayment - principal	(3,174,016)	(9,089,479)	(807,511)	(13,071,006)
Non-cash movements -				
Additions	-	-	1,549,362	1,549,362
Amortisation of upfront fees	-	(575,919)	-	(575,919)
Foreign exchange adjustments	90,052	380,473	-	470,525
Interest payable	2,995	95,911	-	98,906
At September 30, 2022	15,573,997	99,085,658	2,466,706	117,126,361
Cash movements -				
Drawdowns	6,146,499	-	-	6,146,499
Repayment - principal	(4,008,391)	(2,745,242)	(670,218)	(7,423,851)
Non-cash movements -				
Additions	-	-	234,239	234,239
Amortisation of upfront fees	-	219,783	-	219783
Foreign exchange adjustments	48,000	1,249,307	-	1,297,307
Interest payable	6,094	385,501	-	391,595
At September 30, 2023	17,766,199	98,195,007	2,030,727	117,991,933

45. Leases

The statement of financial position shows the following amounts relating to leases:

	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Right-of-use assets				
Buildings	1,970,600	2,339,955	1,754,012	2,186,338
Motor vehicles	378,970	405,932	365,478	388,282
Equipment	90,810	133,492	88,714	129,348
	2,440,380	2,879,379	2,208,204	2,703,968
Lease liabilities				
Current	718,268	880,606	720,306	852,713
Non-current	1,453,773	1,773,707	1,310,421	1,613,993
	2,172,041	2,654,313	2,030,727	2,466,706

Right-of-use Asset

a) Leasehold Improvements and furniture, fittings and equipment where the Group is a lessee under a finance lease are as follows:

	2023		
	Leasehold Improvements $'000	Equipment $'000	Motor Vehicles $'000
Cost	1,641,416	339,970	1,254,823
Accumulated Depreciation	(1,220,269)	(249,160)	(875,853)
Net book values	421,147	90,810	378,970

	2022		
	Leasehold Improvements $'000	Equipment $'000	Motor Vehicles $'000
Cost	1,417,868	339,970	1,196,556
Accumulated Depreciation	(978,464)	(206,478)	(790,624)
Net book values	439,404	133,492	405,932

45. Leases (Continued)

(i) Amounts recognised in the balance sheet (continued)

During the financial year additions through new leases and acquisitions amounted to $234,239,000 (2022- $561,762,000).

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

Depreciation charge on right-of-use assets	**2023**	**2022**
	$'000	**$'000**
Buildings	843,051	791,314
Motor vehicles	213,078	236,472
Equipment	80,301	98,124
	1,136,430	1,125,910

Amounts recognised in the statement of comprehensive income relating to leases:

	2023 **$'000**	**2022** **$'000**
Depreciation charge of right-of-use assets	1,136,430	1,125,910
Interest expense on lease liabilities	42,845	(58,793)
Total expenses related to leases	1,179,275	1,067,117

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability

- any lease payments made at the commencement date less any lease incentives received

Right-of-use assets are generally depreciated over the lease term on a straight line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

45. Leases (Continued)

The Group's leasing activities

The Group leases various buildings to facilitate execution of banking services at branches and ABMs, general business operations and housing for employees. Rental contracts are typically made for fixed periods of 1 to 10 years. Leases are negotiated on an individual basis and contain a wide range of different terms and conditions (including termination and renewal rights). Extension and termination options are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The extension and termination options held are exercisable by both the Group and the respective lessor.

Contracts may contain both lease and non-lease components. Where these exist, the Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which do not have recent third party financing; and,
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and,
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low value assets comprise IT equipment and small items of office furniture.

45. Leases (Continued)

Extension and termination options are included in a number of property and equipment leases across the Group. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). For leases of land and buildings, management has included various extension options in the lease liability, as relocating would from existing locations would be onerous.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and,
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and right-of-use assets of $78,242,000 (2022-$98,039,000).

46. Offsetting Financial Assets and Financial Liabilities

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements.

	The Group						
	2023						
				Related amounts not set off in the statement of financial position			
	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Impact of master netting agreements	Cash collateral	Financial instruments collateral	Net amounts
	2023						
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets							
Cash resources	121,032,415	-	121,032,415	-	(2,315,634)	(4,296,000)	114,420,781
Financial investments	537,377,841	-	537,377,841	(262,624,450)	-	(1,474,357)	273,279,034
	658,410,256	-	658,410,256	(262,624,450)	(2,315,634)	(5,770,357)	387,699,815
	2022						
Assets							
Cash resources	128,541,796	-	128,541,796	-	(4,751,010)	(4,979,526)	118,811,260
Financial investments	457,703,828	-	457,703,828	(233,493,371)	-	(2,957,912)	221,252,545
	586,245,624	-	586,245,624	(233,493,371)	(4,751,010)	(7,937,438)	340,063,805

46. Offsetting Financial Assets and Financial Liabilities (Continued)

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements.

	The Bank						
	2023						
				Related amounts not set off in the statement of financial position			
	Gross amounts of financial assets $'000	Gross amounts set off on the balance sheet $'000	Net amounts of financial assets presented on the balance sheet $'000	Impact of master netting agreements $'000	Cash collateral $'000	Financial instruments collateral $'000	Net amounts $'000
Assets							
Cash resources	109,355,482	-	109,355,482	-	(2,315,634)	(2,516,368)	104,523,480
Financial investments	265,698,418	-	265,698,418	(140,578,021)	-	(1,308,562)	123,811,835
	375,053,900		375,053,900	(140,578,021)	(2,315,634)	(3,824,930)	228,335,315
	2022						
Assets							
Cash resources	110,089,168	-	110,089,168	-	(4,751,010)	(4,979,526)	100,358,632
Financial investments	233,165,235	-	233,165,235	(121,451,132)	-	(1,267,110)	110,446,993
	343,254,403	-	343,254,403	(121,451,132)	(4,751,010)	(6,246,636)	210,805,625

46. Offsetting Financial Assets and Financial Liabilities (Continued)

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements.

	The Group						
	2023						
				Related amounts not set off in the statement of financial position			
	Gross amounts of financial assets	**Gross amounts set off on the balance sheet**	**Net amounts of financial assets presented on the balance sheet**	**Impact of master netting agreements**	**Cash collateral**	**Financial instruments collateral**	**Net amounts**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Liabilities							
Repurchase agreements	277,983,070	-	277,983,070	(262,624,450)	-	-	15,358,620
Obligations under securitisation agreements	98,195,007	-	98,195,007	-	(2,315,634)	-	95,879,373
	376,178,077	-	376,178,077	(262,624,450)	(2,315,634)	-	111,237,993
	2022						
Liabilities							
Repurchase agreements	245,953,687	-	245,953,687	(233,493,371)	(2,866,461)	-	9,593,855
Obligations under securitisation agreements	99,085,658	-	99,085,658	-	(1,884,549)	-	97,201,109
	345,039,345	-	345,039,345	(233,493,371)	(4,751,010)	-	106,794,964

46. Offsetting Financial Assets and Financial Liabilities (Continued)

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements.

The Bank

2023

	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Impact of master netting agreements	Cash collateral	Financial instruments collateral	Net amounts
				Related amounts not set off in the statement of financial position			
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Liabilities							
Repurchase agreements	82,698,221	-	82,698,221	(140,578,021)	-	-	(57,879,800)
Obligations under securitisation agreements	98,195,007	-	98,195,007	-	(2,315,634)	-	95,879,373
	180,893,228	-	180,893,228	(140,578,021)	(2,315,634)	-	37,999,573

2022

	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Impact of master netting agreements	Cash collateral	Financial instruments collateral	Net amounts
Liabilities							
Repurchase agreements	71,086,302	-	71,086,302	(121,451,132)	(2,866,461)	-	(53,231,291)
Obligations under securitisation agreements	99,085,658	-	99,085,658	-	(1,884,549)	-	97,201,109
	170,171,960	-	170,171,960	(121,451,132)	(4,751,010)	-	43,969,818

47. Subsequent Event

Subsequent to the year end, subsidiaries of National Commercial Bank Jamaica Limited declared dividends and / or executed share buy-back transactions which were settled by a combination of cash, transfer of investment securities and property. National Commercial Bank Jamaica Limited subsequently declared a dividend to distribute the proceeds to its parent, NCB Financial Group Limited, which was also settled by a combination of cash, transfer of investment securities and property. The subsidiaries and the amounts as follows:

	$'000
NCB Cayman Limited	5,414,600
NCB Capital Markets (Cayman) Limited	4,556,300
NCB Capital Markets Limited	696,100
NCB Merchant Bank (Trinidad & Tobago) Limited	154,700
	10,821,700

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