JMMB Bank (Jamaica) Limited

Financial Statements
31 March 2025

Page

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INDEPENDENT AUDITORS' REPORT

To the Members of
JMMB BANK (JAMAICA) LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of JMMB Bank (Jamaica) Limited, ("the Bank"), set out on pages 5 to 72, which comprise the statement of financial position as at 31 March 2025, the statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 March 2025, and of its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by the Jamaican Companies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants, including International Independence Standards (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the Members of
JMMB BANK (JAMAICA) LIMITED

Report on the Audit of the Financial Statements (Continued)

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JMMB BANK (JAMAICA) LIMITED

Report on the Audit of the Financial Statements (Continued)

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JMMB BANK (JAMAICA) LIMITED

Report on the Audit of the Financial Statements (Continued)

Report on additional matters as required by the Jamaican Companies Act

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

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

KPMG

Chartered Accountants
Kingston, Jamaica

May 30, 2025

JMMB BANK (JAMAICA) LIMITED

Statement of Profit or Loss

Year ended 31 March 2025

(expressed in Jamaican dollars unless otherwise indicated)

	Notes	2025 $'000	2024 $'000
Net Interest Income			
Interest income calculated using the effective interest method	4(a)	15,042,441	13,442,254
Interest expense calculated using the effective interest method	4(a)	(7,295,167)	(7,154,360)
Net Interest Income	4(a)	**7,747,274**	**6,287,894**
Other Revenue			
Foreign exchange gains on trading and translation	4(b)	752,925	1,033,916
Loan fee income	5	219,249	125,418
Wire fees and commission	5 (a)	658,295	536,596
Total Other Revenue		**1,630,469**	**1,695,930**
Net Interest Income and Other Revenue		**9,377,743**	**7,983,824**
Non-interest Expenses			
Impairment losses on financial assets	6	790,727	1,769,697
Staff costs	7	2,470,698	2,445,199
Bank charges		313,718	316,690
Property expenses		253,352	316,687
Depreciation and amortisation	16,17,19	352,318	272,550
Information technology costs		864,121	441,175
Marketing and corporate affairs		172,112	119,570
Professional fees		126,267	181,400
Management fees	30(b)	1,330,000	500,000
Regulatory costs		243,585	210,547
Irrecoverable General Consumption Tax		279,592	215,217
Asset tax		401,902	368,588
Other operating expenses		435,325	360,639
Total Non-interest Expenses		**8,033,717**	**7,517,959**
Profit before Taxation	8	1,344,026	465,865
Taxation	9	(304,284)	(188,119)
Profit for the Year		**1,039,742**	**277,746**

JMMB BANK (JAMAICA) LIMITED

Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 March 2025

(expressed in Jamaican dollars unless otherwise indicated)

	Notes	2025 $'000	2024 $'000
Profit for the Year		**1,039,742**	**277,746**
Other Comprehensive Income			
Item that may be reclassified to profit or loss:			
Unrealised (losses)/gains arising on revaluation of debt investments at FVOCI, net of tax	28	(866,127)	996,414
Total comprehensive income for the year		**173,615**	**1,274,160**

JMMB BANK (JAMAICA) LIMITED

Statement of Financial Position

31 March 2025

(expressed in Jamaican dollars unless otherwise indicated)

	Notes	2025 $'000	2024 $'000
Assets			
Cash and balances with banks	10	33,560,482	32,551,858
Reverse repurchase agreements	11	8,694,190	3,956,536
Investment in securities	12	10,410,224	8,978,939
Promissory note	12a	1,037,209	-
Pledged assets	13	2,056,027	4,266,612
Accounts receivable	14	1,383,217	1,210,785
Loans	15	137,346,405	126,483,571
Taxation recoverable		-	324,675
Intangible assets	16	1,184,133	762,861
Property, plant and equipment	17	664,269	555,578
Deferred tax assets	18	945,727	773,894
Right-of-use assets	19	1,190,961	34,578
`Total Assets		198,472,844	179,899,887

JMMB BANK (JAMAICA) LIMITED

Statement of Financial Position (Continued)

31 March 2025

(expressed in Jamaican dollars unless otherwise indicated)

	Notes	2025 $'000	2024 $'000
Liabilities			
Repurchase agreements	20	3,173,143	3,642,034
Deposits	21	160,700,165	141,186,850
Due to other financial institutions	22	9,637,959	12,409,993
Accounts payable	23	1,792,987	1,253,501
Lease liabilities	19	1,226,124	41,042
Taxation payable		402,384	-
Total Liabilities		176,932,762	158,533,420
Stockholders' Equity			
Share capital	24	9,318,376	9,232,888
Statutory reserve fund	25	1,999,822	1,843,861
Retained earnings reserve	26	7,365,442	7,365,442
Capital redemption reserve	27	-	85,488
Fair value reserve	28	55,152	921,279
Loan loss reserve	15(b)	2,455,160	1,459,668
Retained earnings		346,130	457,841
Total Stockholders' Equity		21,540,082	21,366,467
Total Liabilities and Stockholders' Equity		198,472,844	179,899,887

Approved for issue by the Board of Directors on May 30, 2025 and signed on its behalf by:

Dennis Harris — Director

Keith P. Duncan — Director

Jerome Smalling — Director

Carolyn DaCosta — Secretary

JMMB BANK (JAMAICA) LIMITED

Statement of Changes in Equity

Year ended 31 March 2025

(expressed in Jamaican dollars unless otherwise indicated)

	Share Capital $'000 Note 24	Statutory Reserve Fund $'000 Note 25	Retained Earnings Reserve $'000 Note 26	Capital Redemption Reserve $'000 Note 27	Fair Value Reserve $'000 Note 28	Loan Loss Reserve $'000 Note 15	Retained Earnings $'000	Total $'000
Balances at 31 March 2023	**7,932,888**	**1,802,199**	**7,365,442**	**85,488**	**(75,135)**	**1,261,700**	**419,725**	**18,792,307**
Profit for the year 2024	-	-	-	-	-	-	277,746	277,746
Other comprehensive income for the year 2024:								
Unrealised gain on FVOCI investments, net of tax	-	-	-	-	996,414	-	-	996,414
Total comprehensive income for the year	-	-	-	-	996,414	-	277,746	1,274,160
Transfer to loan loss reserve (note 15)	-	-	-	-	-	197,968	(197,968)	-
Transfer to statutory reserve		41,662					(41,662)	
Transactions with owners:								
Shares issued	1,300,000	-	-	-	-	-	-	1,300,000
Balances at 31 March 2024	**9,232,888**	**1,843,861**	**7,365,442**	**85,488**	**921,279**	**1,459,668**	**457,841**	**21,366,467**
Profit for the year 2025	-	-	-	-	-	-	1,039,742	1,039,742
Other comprehensive income for the year 2025:								
Unrealised losses on FVOCI investments, net of tax	-	-	-	-	(866,127)	-	-	(866,127)
Total comprehensive income for the year	-	-	-	-	(866,127)		1,039,742	173,615
Transfer to loan loss reserve (note 15)	-	-	-	-	-	995,492	(995,492)	-
Transfer to statutory reserve fund	-	155,961	-	-	-	-	(155,961)	-
Transactions with owners:								
Shares issued	85,488	-	-	(85,488)	-	-	-	-
Balances at 31 March 2025	**9,318,376**	**1,999,822**	**7,365,442**	**-**	**55,152**	**2,455,160**	**346,130**	**21,540,082**

JMMB BANK (JAMAICA) LIMITED

Statement of Cash Flows

Year ended 31 March 2025

(expressed in Jamaican dollars unless otherwise indicated)

	Notes	2025 $'000	2024 $'000
Cash Flows from Operating Activities			
Profit for the year		1,039,742	277,746
Adjustments for:			
Interest income	4(a)	(15,042,441)	(13,442,254)
Interest expense	4(a)	7,295,167	7,154,360
Net impairment loss – reverse repurchase agreements, investment securities & receivables	6	137,543	907,310
Net impairment loss on loans and notes receivable	6	653,184	862,387
Depreciation and amortisation	16,17,19	352,318	272,550
Taxation	9	304,284	188,119
Loss on disposal of property, plant and equipment		4,389	-
		(5,255,814)	(3,779,782)
Changes in operating assets and liabilities -			
Accounts receivable		(1,675,169)	(238,633)
Loans receivable		(11,171,254)	(14,567,715)
Accounts payable		762,422	131,177
Reverse repurchase agreements		(2,051,661)	(1,016,815)
Deposits		19,395,973	16,264,133
Repurchase agreements		(465,063)	(2,579,585)
Due to other financial institutions		(2,807,358)	(1,661,224)
Cash used in operations		(3,267,924)	(7,448,444)
Interest received		14,721,201	13,409,089
Interest paid		(7,146,329)	(6,917,112)
Taxation paid		-	(405,125)
Cash provided by/(used in) operating activities		4,306,948	(1,361,592)
Cash Flows from Investing Activities			
Acquisition of property and equipment and intangible asset	16,17	(828,824)	(337,259)
Purchase of investments		(7,850,807)	(9,324,234)
Promissory note issued		(1,002,272)	-
Proceeds from maturity of investments		7,393,634	9,846,807
Cash (used in)/provided by investing activities		(2,288,269)	185,314
Cash Flows from Financing Activities			
Payment of lease liabilities	19(iii)	(29,866)	(54,924)
Proceeds from share issue	24	-	1,300,000
Cash (used in)/provided by financing activities		(29,866)	1,245,076
Net increase in cash and cash equivalents		1,988,813	68,798
Effect of exchange rate changes on cash and cash equivalents		(64,018)	(25,349)
Cash and cash equivalents at beginning of year		21,964,554	21,921,105
CASH AND CASH EQUIVALENTS AT END OF YEAR	10	23,889,349	21,964,554

1. Identification and Activities

(a) JMMB Bank (Jamaica) Limited ("the Bank") is domiciled and incorporated in Jamaica. The Bank is a wholly owned subsidiary of JMMB Financial Holdings Limited ("intermediate parent company"), incorporated in Jamaica, which is itself a wholly owned subsidiary of JMMB Group Limited ("ultimate parent"), also domiciled and incorporated in Jamaica. The registered office of the Bank is located at 6 Haughton Terrace, Kingston 10.

(b) The Bank's main business involves taking deposits, granting loans and trading in foreign currencies.

(c) The Bank is licensed under the Banking Services Act (2014), and the Banking Services Regulations (2015). The Bank is regulated by the Bank of Jamaica (the Supervisor or Regulator).

2. Statement of Compliance and Basis of Preparation

(a) Statement of compliance:

The financial statements are prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and comply with the provisions of the Jamaican Companies Act.

There were no pronouncements under IFRS Accounting Standards that resulted in any changes to amounts recognised or disclosed in these financial statements.

Details of the Bank's material accounting policies are included in note 33.

(b) Basis of preparation:

The financial statements are prepared on the historical cost basis, except for certain financial instruments that are measured at fair value.

(c) Functional and presentation currency:

The financial statements are presented in Jamaican dollars, which is the functional currency of the Bank, and are expressed in thousands of dollars, unless otherwise stated.

(d) Use of estimates and judgements:

The preparation of the financial statements in conformity with IFRS Accounting Standards requires management to make estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended. Actual amounts could differ from those estimates.

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

Information about estimation uncertainty and critical judgements in applying accounting policies that have the most material effect on the amounts recognised in the financial statements is described in note 3.

3. Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Bank's material accounting policies which require the use of judgements that have the most material effects on the amounts recognised in the financial statements are described below:

(a) Key *sources of estimation uncertainty*

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities and the critical accounting judgements made by management in preparing the financial statements.

(i) Fair value of financial assets

There are no quoted market prices for a material portion of the Bank's financial assets. Accordingly, fair values of several financial assets are estimated using prices obtained from a yield curve. The yield curve is, in turn, obtained from a pricing source which uses indicative prices submitted to it by licensed banks and other financial institutions in Jamaica. There is significant uncertainty inherent in this approach. The fair values determined in this way are classified as Level 2 in the fair value hierarchy.

Some other fair values are estimated based on quotes published by broker/dealers, and these are also classified as Level 2. Management applies significant judgement in the selection of the pricing sources used to determine the fair value of the instruments. The estimates of fair value arrived at from these sources may be materially different from the actual price of the instrument in an actual arm's length transaction [see notes 12 and 31(g)].

(ii) Impairment of financial assets

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and fair value through other comprehensive income (FVOCI) is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring expected credit loss (ECL) is further detailed in notes 31(b)(v) and 33(b)(vii), which also sets out key sensitivities of the ECL to changes in these elements.

(b) Critical accounting judgments in applying the Bank's accounting policies

The Bank's material accounting policy, which require the use of judgements that have the most material effects on the amounts recognised in the financial statements, include the following:

(1) Impairment of financial assets:

Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of expected credit loss (ECL) and selection and approval of models used to measure ECL requires significant judgement [see notes 31(b)(v) and 33(b)(vii)].

It is reasonably probable, based on existing knowledge, that outcomes within the next financial year that are different from these assumptions could require a material adjustment to the carrying amount reflected in the financial statements.

4. Net Interest Income and Other Revenue from Financial Assets

(a) Net Interest Income

	2025 $'000	2024 $'000
Interest income calculated using the effective interest method		
Government of Jamaica securities	262,779	243,883
Bank of Jamaica Certificates of Deposit	512,621	236,593
Reverse repurchase agreements	370,524	337,825
Corporate bonds and other securities	337,517	505,367
Investment income	1,483,441	1,323,668
Loans and other receivables (including cash and cash equivalents)	13,559,000	12,118,586
	15,042,441	13,442,254
Interest expense calculated using the effective interest method		
Repurchase agreements	162,633	349,054
Deposits	6,450,700	6,085,863
Lease liabilities	74,662	4,237
Due to other financial institutions	607,172	715,206
	7,295,167	7,154,360
	7,747,274	6,287,894

(b) Other Revenue

	2025 $'000	2024 $'000
Foreign exchange gains on trading and translation	752,925	1,033,916

5. Loan Fee Income

	2025 $'000	2024 $'000
Loan servicing fees	219,249	125,418

5a. Wire Fees and Commissions

	2025 $'000	2024 $'000
Wire fees	648,421	494,456
Other	9,874	42,140
	658,295	536,596

6. Impairment Losses on Financial Assets

	2025 $'000	2024 $'000
Charge for the year on:		
Reverse repurchase agreements (note 11)	59	(66)
Loans and notes receivable [note 15(b)]	653,184	862,387
Accounts receivable [note 14(b)]	28,231	8,969
Investment securities at FVOCI (note 28)	109,253	898,407
	790,727	1,769,697

JMMB BANK (JAMAICA) LIMITED
Notes to the Financial Statements
31 March 2025
(expressed in Jamaican dollars unless otherwise indicated)

6. Impairment Losses on Financial Assets (continued)

The amount in investment securities at FVOCI consists of write-off of $111,895 for amounts that were due from matured investments in addition to movements in the provision recorded at note 28.

7. Staff Costs

	2025 $'000	2024 $'000
Salaries and wages	1,994,686	1,973,196
Statutory payroll contributions	210,156	218,376
Pension contributions (note 29)	68,664	70,054
Other staff benefits	197,192	183,573
	2,470,698	2,445,199

8. Profit before Taxation

The following are among the items charged in arriving at profit before taxation:

	2025 $'000	2024 $'000
Directors' emoluments: fees [note 30(c)]	20,926	27,453
Auditors' remuneration	42,000	30,686
Depreciation and amortisation (notes 16, 17, 19)	352,318	272,550

9. Taxation

(a) The tax charge for the year comprises:

	2025 $'000	2024 $'000
Current taxation	504,379	7,723
Prior year under-accrual	462	14,844
	504,841	22,567
Deferred tax (note 18):		
Origination and reversal of temporary differences	(200,557)	165,552
Taxation recognised for the year	304,284	188,119

(b) The tax on profit differs from the amount that would arise using the statutory rate of 33⅓% as follows:

	2025 $'000	2024 $'000
Profit before tax	1,344,026	465,865
Tax at 33⅓%	448,009	155,288
Tax effect of:		
Expenses not deductible in determining taxable profit	184,128	314,028
Non-taxable income	(317,343)	(296,041)
Other adjustments	(10,972)	-
Prior year income tax over- accrual	462	14,844
	304,284	188,119

JMMB BANK (JAMAICA) LIMITED

Notes to the Financial Statements
31 March 2025
(expressed in Jamaican dollars unless otherwise indicated)

10. Cash and Cash Equivalents

	2025 $'000	2024 $'000
Cash and balances with banks, including Bank of Jamaica	33,560,482	32,551,858
Reverse repurchase agreements (note 11)	3,962,300	1,507,605
Cash deposit at investment brokers (note 14)	206,607	246,847
	37,729,389	34,306,310
Less:		
Statutory reserves with Bank of Jamaica (see below)	(13,840,040)	(12,341,756)
Cash and cash equivalents for statement of cash flows	23,889,349	21,964,554

Statutory reserves with Bank of Jamaica are held in compliance with Section 43 of the Banking Services Act, which requires that every licensee maintains a percentage of its prescribed liabilities as cash reserve with Bank of Jamaica of not less than 6% (2024: 6%) of its prescribed liabilities. The reserve for prescribed liabilities is held on a non-interest-earning basis. No portion of the cash reserve is available for investment, lending or other use by the Bank. The actual required ratio at year end was 6% (2024: 6%) for Jamaican dollar cash reserves and 14% (2024: 14%) for foreign currency cash reserves.

11. Reverse Repurchase Agreements

	2025 $'000	2024 $'000
Denominated in United States dollars	8,536,690	4,030,335
Interest receivable	157,602	13,172
	8,694,292	4,043,507
Less: allowance for impairment [note 31(b)(ii)]	(102)	(43)
	8,694,190	4,043,464
Pledged assets (note 13)	-	(86,928)
	8,694,190	3,956,536

	2025 $'000	2024 $'000
Allowance for impairment:		
Balance as at 1 April	43	109
Net measurement during the year (note 6)	59	(66)
Balance at 31 March	102	43

Reverse repurchase agreements include balances with related parties as set out in note 30. All reverse repurchase agreements mature within twelve months after the reporting date.

For the purpose of the statement of cash flows, an amount of $3,962,300,000 (2024: $1,507,605,000) is included in cash and cash equivalents as these reverse repurchase agreements meet the definition of cash equivalents (see note 10).

The securities that the Bank obtains as collateral under resale agreements may be used as collateral under repurchase agreements. Certain of these securities and interest accrued thereon are pledged as security for repurchase agreements (see note 13).

The fair value of collateral held for securities purchased under reverse repurchase agreements amounted to $9,228,767,000 (2024: $4,382,370,000) at the reporting date, of this amount $1,872,173,580 was pledged under repurchase agreement.

JMMB BANK (JAMAICA) LIMITED

Notes to the Financial Statements

31 March 2025

(expressed in Jamaican dollars unless otherwise indicated)

12. Investment in Securities

	2025 $'000	2024 $'000
Securities measured at FVOCI		
Government of Jamaica securities	2,515,809	2,510,064
Bank of Jamaica certificates of deposit	6,266,438	4,054,070
Corporate bonds and other securities	3,537,026	6,285,637
Securities designated as FVOCI		
Equity investments	30,041	30,254
	12,349,314	12,880,025
Interest receivable	116,937	278,598
	12,466,251	13,158,623
Pledged assets (see note 13)	(2,056,027)	(4,179,684)
	10,410,224	8,978,939

The maturity profile of investments as at the reporting date is as follows:

	2025 $'000	2024 $'000
Government of Jamaica securities:		
Over 5 years	2,515,809	2,510,064
	2,515,809	2,510,064
Bank of Jamaica certificates of deposit:		
Within 3 months	2,127,760	3,669,295
From 1 year to 5 years	4,138,678	-
Over 5 years	-	384,775
	6,266,438	4,054,070
Equity investments - no fixed maturity	30,041	30,254
Corporate bonds and other securities:		
Within 3 months	1,349,803	1,395,750
From 3 months to 1 year	327,447	1,950,479
From 1 year to 5 years	1,213,329	1,160,132
Over 5 years	646,447	1,779,276
	3,537,026	6,285,637
	12,349,314	12,880,025

12a. Promissory Note

	2025 $'000	2024 $'000
Promissory note	1,002,272	-
Interest receivable	34,937	-
	1,037,209	-

13. Pledged Assets

At the reporting date, investment securities were pledged as collateral for repurchase agreements (note 20) as follows:

	2025 $'000	2024 $'000
Investment in securities (note 12)	2,056,027	4,179,684
Reverse repurchase agreements (note 11)	-	86,928
	2,056,027	4,266,612

The maturity analysis of the pledged assets is incorporated within the disclosures at note 11 and note 12.

14. Accounts Receivable

	2025 $'000	2024 $'000
Cash balances with investment brokers (note 10)	206,607	246,847
Customer settlement receivable	534,512	480,615
Coupon receivable	11,809	23,858
Fellow subsidiary	25,880	18,520
Ultimate parent company	20,479	26,343
Prepayments	101,821	244,063
Other receivables	524,482	208,559
	1,425,590	1,248,805
Less: Allowance for impairment	(42,373)	(38,020)
	1,383,217	1,210,785

Other amounts due from related parties and the terms of the related party balances are disclosed at note 30(a).

The accounts receivable balances are expected to be recovered within 12 months from the reporting date.

	2025 $'000	2024 $'000
(a) Aging of past due and impaired receivables		
90 – 180 days	278	1,185
181 – 360 days	2,599	2,950
Over 360 days	39,496	33,885
	42,373	38,020
(b) Movement in allowances for impairment:		
Balance at beginning of year	38,020	34,150
Charged to profit for the year (note 6)	28,231	8,969
Write off	(23,878)	(5,099)
Balance at end of year	42,373	38,020

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15. Loans

	2025 $'000	2024 $'000
Corporate	49,968,032	42,433,597
Financial institutions	6,933,247	6,389,413
Individuals	84,491,582	81,615,061
	141,392,861	130,438,071
Unamortised loan origination fees	(1,398,908)	(1,318,274)
	139,993,953	129,119,797
Interest receivable	655,585	740,158
	140,649,538	129,859,955
Less: allowance for impairment [note (c)]	(3,303,133)	(3,376,384)
	137,346,405	126,483,571

Deferred loan origination fees:

	2025 $'000	2024 $'000
Balance at beginning of year	1,318,274	1,158,743
Addition	509,972	593,308
Amortisation for the year	(429,338)	(433,777)
Balance at end of year	1,398,908	1,318,274

	2025 $'000	2024 $'000
Expected to be recovered or settled after reporting date:		
Current portion	25,661,419	31,020,818
Non-current	115,731,442	99,417,253
	141,392,861	130,438,071

(a) The aggregate amount of non-performing loans on which interest is not being accrued is $5,424,362,000 (2024: $4,568,091,000). The total value of unrecorded interest is immaterial.

(b) The provision and allowance for loan losses are as follows:

	2025 $'000	2024 $'000
Allowance for expected credit losses based on IFRS 9		
Balance at beginning of the year	3,376,384	3,023,798
Charge for the year (note 6)	653,184	862,387
Write-offs, net of recoveries	(726,435)	(509,801)
Balance at end of the year [note 31(b)(iii)]	3,303,133	3,376,384
Regulatory provision (in excess of IFRS Accounting Standards requirements)		
Provision at beginning of the year	1,459,668	1,261,700
Transferred from retained earnings	995,492	197,968
Balance at end of year	2,455,160	1,459,668
Total provision for loan losses	5,758,293	4,836,052

The regulatory provision in excess of the IFRS Accounting Standards requirement represents a non-distributable reserve required to meet Bank of Jamaica loan loss provision requirements.

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15. Loans (Continued)

(c) See further analysis of loans receivable at note 31(b).

16. Intangible Assets

	Computer software	
	2025	**2024**
	$'000	**$'000**
Cost		
At beginning of year	1,970,885	1,768,973
Additions	606,453	201,912
Disposals	(433,866)	-
At end of year	2,143,472	1,970,885
Accumulated Amortisation		
At beginning of year	1,208,024	1,060,591
Charge for the year	185,181	147,433
Disposals	(433,866)	-
At end of year	959,339	1,208,024
Net Book Value	1,184,133	762,861

17. Property, Plant and Equipment

	Freehold Land and Buildings	Equipment, Furniture and Fittings	Painting and Artworks	Leasehold Improvement	Motor Vehicles	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost						
31 March 2023	42,310	595,321	9,984	274,171	1,546	923,332
Additions	-	109,179	-	11,219	14,949	135,347
31 March 2024	42,310	704,500	9,984	285,390	16,495	1,058,679
Additions	-	120,305	-	102,066	-	222,371
Disposals	-	(47,168)	-	(91,917)		(139,085)
31 March 2025	42,310	777,637	9,984	295,539	16,495	1,141,965
Accumulated Depreciation						
31 March 2023	12,635	305,390	-	100,436	1,546	420,007
Charge for the year	982	44,649	-	35,221	2,242	83,094
31 March 2024	13,617	350,039	-	135,657	3,788	503,101
Charge for the year	984	69,908	-	35,409	2,990	109,291
Disposals	-	(42,779)	-	(91,917)	-	(134,696)
31 March 2025	14,601	377,168	-	79,149	6,778	477,696
Net Book Value						
31 March 2025	27,709	400,469	9,984	216,390	9,717	664,269
31 March 2024	28,693	354,461	9,984	149,733	12,707	555,578

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18. Deferred Income Taxes

Deferred income tax is calculated under the balance sheet method for temporary differences using the principal tax rate applicable at the reporting date.

Deferred tax assets and liabilities recognised on the statement of financial position are as follows:

	2025 $'000	2024 $'000
Deferred income tax assets	1,690,187	1,535,372
Deferred income tax liabilities	(744,460)	(761,478)
Net deferred income tax assets	945,727	773,894

Deferred tax is calculated using a tax rate of 33⅓%. The movement for the year in the net deferred tax is as follows:

	2025			
	Balance at Beginning of Year	Recognised in Income (note 9)	Recognised in Other Comprehensive Income (note 28)	Balance at End of Year
	$'000	$'000	$'000	$'000
Property, plant and equipment	237,659	24,055	-	259,854
Interest receivable	(274,922)	(26,608)	-	(301,530)
Interest payable	642,629	23,522	-	666,151
Accounts payable	17,476	9,333	-	26,809
Unrealised losses	589,066	110,075	-	699,141
Lease liability	2,155	9,566	-	11,721
Loans	(486,556)	43,626	-	(442,930)
Accounts receivable	2,443	6,988	-	9,431
Investments	43,944	-	(28,724)	15,220
	773,894	200,557	(28,724)	945,727

	2024			
	Balance at Beginning of Year	Recognised in Income (note 9)	Recognised in Other Comprehensive Income (note 28)	Balance at End of Year
	$'000	$'000	$'000	$'000
Property, plant and equipment	100,212	137,447	-	237,659
Interest receivable	(248,513)	(26,409)	-	(274,922)
Interest payable	565,653	76,976	-	642,629
Accounts payable	12,081	5,395	-	17,476
Tax credit	1,000	(1,000)	-	-
Unrealised losses	514,850	74,216	-	589,066
Lease liability	3,669	(1,514)	-	2,155
Loans	(53,450)	(433,106)	-	(486,556)
Accounts receivable	-	2,443	-	2,443
Investments	52,788	-	(8,844)	43,944
	948,290	(165,552)	(8,844)	773,894

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19. Leases

The Bank leases properties for office space and other uses. The leases run for periods of 1 to 10 years. Certain leases have an option to renew for further periods of 1 to 10 years.

The Bank holds short-term leases (less than one year) and/or leases of low-value items (less than USD $1,000) and has elected not to recognise right-of-use assets and lease liabilities for these leases.

(i) Amounts recognised in the statement of financial position are as follows:

	2025 $'000	2024 $'000
Right-of-use assets-buildings:		
Balance at 1 April	34,578	38,031
Additions	1,214,229	38,570
Depreciation charge for the year	(57,846)	(42,023)
Balance at 31 March	1,190,961	34,578
Lease liabilities:		
Balance at 1 April	41,042	49,038
Additions	1,214,229	38,570
Lease payments	(29,866)	(50,687)
Effects of foreign exchange rate changes	719	4,121
	1,226,124	41,042

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

	2025 $'000	2024 $'000
Depreciation charge on right-of-use assets	57,846	42,023
Interest expense on lease liabilities	74,662	4,237
Expense relating to short-term and low-value leases (included in property expenses)	17,949	36,005

(iii) Amounts recognised in the statement of cash flows:

	2025 $'000	2024 $'000
Payments of lease principal	29,866	50,687
Interest expense on lease liabilities	74,662	4,237
Total cash outflows for leases	104,528	54,924

(iv) Extension options

Some property leases contain extension options exercisable by the Bank up to twelve months before the end of the non-cancellable contract period. Where practicable, the Bank seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Bank and not by the lessors. The Bank assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Bank reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Bank has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liability of $131,670,000, (2024: $125,400,000).

20. Repurchase Agreements

	2025 $'000	2024 $'000
Financial institutions	3,140,636	3,605,699
Interest payable	32,507	36,335
	3,173,143	3,642,034

All repurchase agreements mature within twelve months after the reporting date.

Securities pledged to collateralise repurchase agreements are disclosed at note 13.

21. Deposits

	2025 $'000	2024 $'000
Personal	67,898,914	55,191,236
Financial institutions	46,922,165	48,773,663
Commercial and business enterprises	43,986,555	35,446,762
	158,807,634	139,411,661
Interest payable	1,892,531	1,775,189
	160,700,165	141,186,850

	2025 $'000	2024 $'000
Expected to be recovered or settled after reporting date:		
Current portion	158,353,972	138,911,466
Non-current	453,662	500,195
	158,807,634	139,411,661

22. Due to Other Financial Institutions

	2025 $'000	2024 $'000
Development Bank of Jamaica (a)	1,479,493	1,177,611
National Housing Trust (b)	3,845,948	3,990,472
Inter-American Investment Corporation (c)	2,312,874	4,514,958
Development Finance Institute Canada (FINDEV) (d)	1,970,875	2,693,426
	9,609,190	12,376,467
Deferred fees	(44,645)	(82,836)
	9,564,545	12,293,631
Interest payable	73,414	116,362
	9,637,959	12,409,993

22. Due to Other Financial Institutions (Continued)

	2025 $'000	**2024 $'000**
Expected to be settled after reporting date:		
Current portion	2,544,775	2,987,188
Non-current	7,064,415	9,389,279
	9,609,190	12,376,467

(a) Amounts due to Development Bank of Jamaica (DBJ) bear interest at rates of 2% to 7.50% per annum for periods up to ten years (2024: 2.00% to 6.50% per annum for periods up to 10 years). The loans are for on-lending to customers to finance development and agricultural projects within the terms and conditions specified by the DBJ and are repayable in monthly instalments. The loan is secured by a promissory note.

(b) The balances due to National Housing Trust (NHT) are at interest rates of 0.0% to 2.5% (2024: 0.00% to 2.50%) per annum for periods of 25 years. The amounts are for on-lending to customers to finance home acquisition within the terms and conditions specified by NHT and are repayable in monthly instalments.

(c) The above balance consists of US$14,669,000 (2024:US$29,335,000) due to Inter-American Investment Corporation (IDB Invest), at interest rates of 8.70767% and 4.375% (2024: 9.58391% and 4.4375%) per annum for a period up to 5 years. The loan is for on-lending to Small and Medium Enterprises (SME'S) within the terms and conditions specified by the IDB Invest and are repayable in semi-annual instalments.

(d) The above balance consists of US$12,500,000 (2024: US$20,000,000) due to Development Finance Institute Canada (FINDEV), at interest rate of 6.8621% per annum for a period up to 5 years. The loan is for on-lending to Small and Medium Enterprises (SMEs) within the terms and conditions specified by FINDEV and are repayable in semi-annual instalments.

23. Accounts Payable

	2025 $'000	**2024 $'000**
Items in the process of settlement	151,125	172,505
Owed to related parties -fellow subsidiary (note 30(a))	370,389	213,417
Payroll taxes	139,050	63,439
General Consumption Tax payable	60,128	13,198
Accrued expenses	258,826	232,103
Customers' advances on loan settlement	701,382	401,427
Withholding tax	28,563	57,890
Deferred income	10,115	10,232
Other payables	73,409	89,290
	1,792,987	1,253,501

Other amounts due to related parties and the terms of the related party balances are disclosed at note 30(a).

The accounts payable balance is expected to be settled within 12 months from the reporting date.

24. Share Capital

	2025 '000	2024 '000
Authorised:		
1,800,000,000 ordinary shares at no par value	1,800,000	1,800,000
100,000,000 convertible preference shares at no par value	100,000	100,000
	$'000	**$'000**
Issued and fully paid:		
1,363,656,205 (2024: 1,362,801,325) ordinary shares of no-par value	9,318,376	9,232,888

The Bank has one class of ordinary shares which are held exclusively by the intermediate parent company. The holder of the ordinary shares is entitled to dividend which are declared by the Bank and has a right to the residual assets of the Bank.

The holders of the preference shares have the right to convert each preference share to one ordinary share. The preference shares are redeemable at the option of the Bank and dividends are payable at such time as the Bank may determine.

On September 30, 2024, the Bank issued 855,000 ordinary shares at a price of $100 each to the intermediate parent company, JMMB Financial Holdings Limited, based on resolutions approved by the Board. The shares were issued through the capitalization of the capital redemption reserve. (see note 27)

(a) Reconciliation of the outstanding number of shares

	Ordinary shares Number of units		Preference shares Number of units	
	2025 '000	**2024 '000**	**2025 '000**	**2024 '000**
In issue at 1 April	1,362,801	1,349,801	100,000	100,000
Issued and fully paid		13,000	-	-
Shares issued (note 27)	855		-	-
In issue at 31 March	1,363,656	1,362,801	100,000	100,000

25. Statutory Reserve Fund

Under Section 41 of the Banking Services Act, the Bank is required to transfer a minimum of 15% of the profit each year to a reserve fund until the amount to the credit of the reserve fund is equal to 50% of the paid-up capital. Thereafter, 10% of the net profit each year is to be transferred to the reserve fund until the amount at the credit of the reserve fund is equal to the paid-up capital. The transfer for the year was at the prescribed rate of 15% (2024: 15%).

26. Retained Earnings Reserve

Section 42 of the Banking Services Act permits the transfer of net profits to a retained earnings reserve. Such transfers are made at the discretion of the Bank's directors and must be communicated to Bank of Jamaica.

27. Capital Redemption Reserve

Capital redemption reserve is based on the redemption of 42,744,000 cumulative redeemable preference shares at a value of $85,488,000 in 2011. In conformity with the provisions of the Jamaican Companies Act, an amount equal to the value of the preference shares redeemed was transferred from retained earnings to the Capital Redemption Reserve. On September 30, 2024, the Board issued a resolution for the capitalization of these shares which were issued to the intermediate parent company (see note 24).

28. Fair Value Reserve

Fair value reserve represents the excess or shortfall of the fair value of securities classified as FVOCI at the year-end over the amortised cost, net of expected credit losses on such securities, and related deferred tax.

Movement in fair value reserve is as follows:

	2025 $'000	2024 $'000
Balance at beginning of year	921,279	(75,135)
Expected credit loss for the year (note 6)	109,253	898,407
Unrealised gains on investments	134,082	106,851
Reclassification	9,885	-
Write- off	(1,090,623)	-
Deferred tax adjustment (note 18)	(28,724)	(8,844)
Other comprehensive (loss)/income for the year	(866,127)	996,414
Balance at end of year	55,152	921,279

29. Post-employment Benefits

A fellow subsidiary company operates a defined-contribution pension that covers the Bank's employees who have satisfied certain minimum service requirements. The fund is financed by equal contributions of employer and employees of 5% of pensionable salaries with an option for employees to contribute up to an additional 10% of pensionable salaries.

Under the rules of the fund, an actuarial valuation should be carried out by the appointed actuaries every three years. An actuarial valuation of the fund was done as at 31 December 2023 by Eckler Jamaica, independent actuaries. The valuation report revealed a funding surplus.

The contributions for the year amounted to $68,664,000 (2024: $70,054,000) [see note 7].

30. Related Party Transactions and Balances

(a) The statement of financial position includes balances, in the ordinary course of business, with the parent company, fellow subsidiaries, key management personnel (directors and senior executives) and other related parties as follows:

	2025 $'000	2024 $'000
Cash and cash equivalents		
Fellow subsidiaries	1,243,703	1,390,494
Reverse repurchase agreements:		
Fellow subsidiaries	6,655,072	3,265,888
Loans and notes receivable:		
Related parties – significant influence and companies under common control	2,035,630	115,372
Key management personnel, including directors	537,415	647,852
	2,573,045	763,224

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30. Related Party Transactions and Balances (Continued)

(a) The statement of financial position includes balances, in the ordinary course of business, with the parent company, fellow subsidiaries, key management personnel (directors and senior executives) and other related parties as follows (continued):

	2025 $'000	2024 $'000
Accounts receivable:		
Ultimate parent company	20,479	26,343
Fellow subsidiaries	25,880	18,520
Related parties – significant influence and companies under common control	45	44
	46,404	44,907
Deposits:		
Ultimate parent company	729,248	698,981
Fellow subsidiaries	14,598,645	18,794,712
Related parties – significant influence and companies under common control	1,255,108	1,079,094
Key management personnel including directors	224,902	210,748
	16,807,903	20,783,535
Accounts payable:		
Fellow subsidiary	370,389	213,417
Related parties – significant influence and companies under common control	80	6
Key management personnel including directors	1,856	2,477
	372,325	215,900
Repurchase agreements:		
Fellow subsidiary	600,582	-

(i) Repurchase agreements are held with Jamaica Money Market Brokers Limited and bear interest at 5.9% per annum.

(ii) Cash and cash equivalents balances bear interest at 1% per annum.

(iii) Loans and notes receivable bear interest at rates ranging from 3% to 15.75% per annum with maturities within one year and greater than 20 years. These balances may be secured or unsecured.

(iv) Reverse repurchase agreements are secured and bear interest at rates ranging from 5.60% to 7.80% per annum with maturities within one year from the reporting date.

(v) Deposits are unsecured balances which bear interest at rates ranging from 0% to 9.5% which are repayable on demand or with maturities of less than six years.

(vi) Other balances due to or from related parties are unsecured, interest free, and are expected to be settled within the next 12 months.

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30. Related Party Transactions and Balances (Continued)

(b) The profit or loss account includes transactions, in the ordinary course of business, with the parent company, fellow subsidiaries, key management personnel (directors and senior executives) and other related parties as follows:

	2025 $'000	2024 $'000
Interest earned:		
Related parties – significant influence and companies under common control	231,797	7,695
Fellow subsidiary	303,161	255,765
Key management personnel including directors	36,419	39,990
	571,377	303,450
Other income:		
Ultimate parent company	1	7,582
Fellow subsidiary	30,831	39,054
Related parties – significant influence and companies under common control	42,038	44,502
Key management personnel including directors	1,747	2,295
	74,617	93,433
Management fees:		
Fellow subsidiary	1,330,000	500,000
Interest expense:		
Ultimate parent company	52,059	30,296
Fellow subsidiary	1,171,637	1,740,166
Related parties – significant influence and companies under common control	57,048	131,094
Key management personnel including directors	3,652	3,848
	1,284,396	1,905,404
Other expenses:		
Fellow subsidiaries	133,610	331,136
Related parties – significant influence and companies under common control	2,391	-
Key management personnel including directors	936	854
	136,937	331,990

(c) Key management includes directors and senior executives of the Bank. The compensation paid or payable to key management for employee services is as shown below:

	2025 $'000	2024 $'000
Directors' fees (note 8)	20,926	27,453
Staff costs - (included in staff costs - note 7)	232,599	202,190

31. Financial Risk Management

(a) Introduction and overview

The Bank's activities result in exposure to credit, market, liquidity and operational risks. An enterprise-wide risk management approach is adopted which involves employees on all levels. This framework is supported by sound risk management practices which include the establishment of enterprise-wide policies, procedures and limits, monitoring and measurement of exposure against established limits, ongoing realignment of business strategies and activities and the reporting of significant exposures to senior management and the Board of Directors.

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board's risk management mandate is principally carried out through the following committees.

(i) Risk Committee

The Group's Board Risk Committee is responsible for the oversight of the overall risk management functions of the Bank. The committee decides the policies and strategy for integrated risk management of the various risk exposures of the Bank.

(ii) Board Credit Committee

The Board Credit Committee is responsible for approving all credit requests above a specified threshold and ensuring that all lending facilities conform to standards agreed by the Board and embodied in the Credit Risk Policy. The committee is ultimately responsible for determining the composition and management of the credit portfolio.

(iii) Audit & Compliance Committee

The Audit Committee monitors the quality of the Bank's internal controls and compliance with regulatory requirements. The Audit Committee is assisted in its oversight role by the Internal Audit Function and the Risk and Compliance Unit. Internal Audit undertakes both regular and ad hoc reviews of the risk management controls and procedures, the results of which are reported quarterly to the Audit Committee.

The oversight of certain specific aspects of operational risk, such as fraud, is also within the purview of the Audit Committee.

(iv) Investment Committee

The Investment Committee is a senior management level committee responsible for the management of market risks. The committee monitors the composition of assets and liabilities, evaluates potential market risk involved in launching new products, reviews and articulates funding policy and decides optimal ways of managing the Bank's liquidity.

(v) Asset and Liability Committee (ALCO)

ALCO is the management committee that monitors and adjusts the overall profile of assets and liabilities to increase the probability of achieving strategic business results within the context of Board approved risk appetite, relevant policies and applicable regulations.

31. Financial Risk Management (Continued)

(a) Introduction and overview (continued)

Climate Related Risks

Climate change presents immediate and long-term risks to the Group and its clients with the risks expected to increase over time. Climate change risk refers to the risk of loss arising from climate change and is comprised of both physical risk and transition risk. Physical risk considers how chronic and acute climate change (e.g. increased storms, drought, fires, floods) can directly damage physical assets or otherwise impact their value or productivity.

Transition risk considers how changes in policy, technology, business practices and market preferences to address climate change can lead to changes in the value of assets. Climate change risk is an overarching risk that can act as a driver of other categories of risk, such as credit risk from obligors exposed to high climate risk, reputational risk from increased stakeholder concerns about financing high carbon industries and operational risk from physical climate risks to the Bank's facilities.

The Group currently identifies climate change risk as an emerging risk within its enterprise risk management framework. Emerging risks are risks or thematic issues that are either new to the landscape, or in the case of climate risk, existing risks that are rapidly changing or evolving in an escalating fashion, which are difficult to assess due to limited data or other uncertainties.

Over the last fiscal year, the JMMB Group made further progress in developing a comprehensive environmental and social policy geared at enhancing and complementing our existing lending policies, guidelines and business practices to better manage sustainability challenges and promote responsible growth across our core business lines. This will be cascaded throughout the Group in the upcoming fiscal year. Climate risk is a new and emerging area and will also be assessed in more detail in the upcoming year.

While there is no formal climate related policy in place the Group ensures that there are mitigants in place for climate related events such as insurance for its physical assets as well as assets held as collateral for loan facilities. There is also a Business Continuity Plan in place to ensure that the Group can operate in situations where climate related disruptions to business may occur. The Group is in the very early stages of developing this framework.

(b) Credit risk

The Bank is exposed to credit risk, which is the risk that its customers or counterparties will cause a financial loss for the Bank by failing to discharge their contractual obligations. Credit risk is an important risk for the Bank's business and management carefully monitors its exposure to credit risk. Credit exposure of the Bank arises mainly from lending and investment activities.

(i) Management of credit risk

The credit risk management and control are centralised in a credit risk management team which reports regularly to the Board of Directors.

The Bank manages the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty or group of related counterparties and to an industry segment. 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, guarantees or undertakings. These expose the Bank to similar risks as loans and these are mitigated by the same control policies and processes.

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31. Financial Risk Management (Continued)

(b) Credit risk (continued)

(i) Management of credit risk (continued)

The Bank's credit risk is managed through a framework which incorporates the management of key financial assets as follows:

Investments

The Bank invests primarily in Government of Jamaica securities, corporate securities, Bank of Jamaica certificates of deposits, promissory notes and securities purchased under resale agreements. The Bank manages its exposure through the establishment of counterparty and concentration limits and policies which provide guidelines as to the minimum investment grade acceptable for investment in financial instruments. The Investment Committee also provides oversight for the management of the credit risk practices for the Bank.

Loans

The Bank establishes policies and procedures which govern standards for granting credit and the process of continuous monitoring and measurement in relation to credit quality through industry and customer limits, portfolio diversification, delinquency and debt management

The loan portfolio is separated into two categories: corporate and retail loans, each with specified approval and credit-granting criteria. All loans are approved by the Credit Risk Unit, Management Credit Committee and the Board Credit Committee in accordance with an authorisation structure and supported by credit scoring systems and analyses. Loans are assigned to relationship officers who are responsible for the monitoring and management of the loans assigned.

Exposure to credit risk is managed in part by obtaining collateral and corporate and personal guarantees. Counterparty limits are established by the use of a credit classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision.

The Bank assesses the probability of default through a credit review process using an internal risk rating system which classifies loans in accordance with the following:

Rating Grades	Description of grade	Credit status
1	Excellent	Standard monitoring
2	Good credit	Standard monitoring
3	Average credit	Standard monitoring
4	Acceptable	Standard monitoring
5	Marginal	Special monitoring
6	Substandard	Default
7	Doubtful	Default
8	Loss	Default

Loans and notes receivable that are cash-secured are included in the credit classification as Risk Rated 1, based on the Bank's rating grades.

31. Financial Risk Management (Continued)

(b) Credit risk (continued)

(i) Management of credit risk (continued)

Loans (continued)

Collateral

The taking of collateral (including guarantees) for funds advanced is dependent on the assessment of the credit risk of the counterparty. The Bank has implemented guidelines on the acceptability of specific classes of collateral or credit risk mitigation.

The principal collateral types for loans and advances are:

- Mortgages over commercial and residential properties;
- Charges over business assets such as premises, equipment, motor vehicles, inventory and accounts receivable;
- Charges over financial instruments such as debt securities and equities;
- Charges over cash and other near cash securities.

The Bank’s policy requires the review of loans and advances at least annually or more regularly when individual circumstances require.

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

Credit related commitments

Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to make drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct unsecured loan.

With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards.

The following tables set out information about credit quality of financial assets measured at amortised cost and debt instruments measured at fair value through other comprehensive income (FVOCI).

31. Financial Risk Management (Continued)

(b) Credit risk (continued)

(i) Management of credit risk (continued)

Loans at amortised cost:

The Bank applies a ‘three-stage’ model for impairment based on changes in credit quality since initial recognition as summarised below:

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

- If a significant increase in credit risk (‘SICR’) since initial recognition is identified, the financial instrument is moved to ‘Stage 2’ but is not yet deemed to be credit-impaired. A description of how the Bank determines when a significant increase in credit risk has occurred, is described below.

- Purchased or originated credit-impaired financial assets (POCI) are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. A description of inputs, assumptions and estimation techniques used in measuring the ECL is provided below.

- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. An explanation of how the Bank incorporates this in its ECL models, is included in section (iii) below.

	2025			
	Stage 1 $'000	**Stage 2 $'000**	**Stage 3 $'000**	**Total $'000**
Credit grade				
Standard monitoring	126,852,161	4,437,760	-	131,289,921
Special monitoring	237,403	4,441,175	-	4,678,578
Default	-	-	5,424,362	5,424,362
	127,089,564	8,878,935	5,424,362	141,392,861
Loss allowance [note 31(b)(iii)]	(782,627)	(258,559)	(2,261,947)	(3,303,133)
	126,306,937	**8,620,376**	**3,162,415**	**138,089,728**

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31. Financial Risk Management (Continued)

(b) Credit risk (continued)

(i) Management of credit risk (continued)

Loans at amortised cost (continued):

	2024			
	Stage 1 $'000	**Stage 2 $'000**	**Stage 3 $'000**	**Total $'000**
Credit grade				
Standard monitoring	114,740,943	7,359,419	-	122,100,362
Special monitoring	187,926	3,581,692	-	3,769,618
Default	-	-	4,568,091	4,568,091
	114,928,869	10,941,111	4,568,091	130,438,071
Loss allowance [note 31(b)(iii)]	(879,876)	(377,496)	(2,119,012)	(3,376,384)
	114,048,993	**10,563,615**	**2,449,079**	**127,061,687**

(ii) Credit quality analysis

	2025			
	Stage 1 $'000	**Stage 2 $'000**	**Stage 3 $'000**	**Total $'000**
Ageing of loans				
Current	116,935,505	2,126,607	-	119,062,112
Past due 1-30 days	10,154,060	1,829,264	-	11,983,324
Past due 31-60	-	3,656,432	-	3,656,432
Past due 61-90	-	1,266,631	-	1,266,631
More than 90 days	-	-	5,424,362	5,424,362
	127,089,565	8,878,934	5,424,362	141,392,861

	2024			
	Stage 1 $'000	**Stage 2 $'000**	**Stage 3 $'000**	**Total $'000**
Ageing of loans				
Current	101,182,089	2,984,795	114,778	104,281,662
Past due 1-30 days	13,746,780	2,438,082	304,518	16,489,380
Past due 31-60	-	3,623,712	209,677	3,833,389
Past due 61-90	-	1,894,522	88,852	1,983,374
More than 90 days	-	-	3,850,266	3,850,266
	114,928,869	**10,941,111**	**4,568,091**	**130,438,071**

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31. Financial Risk Management (Continued)

(b) Credit risk (continued)

(ii) Credit quality analysis (continued)

The Bank held collateral in respect of loans that are individually impaired, as per the table above, excluding unsecured loans amounting to $5,353,119,704, (2024: $4,568,090,829), at their fair value.

Risk Rating	
Investment grade	AAA to A- BBB to BBB-
Watch	BBB + to BB- B+ to B-
Speculative	CCC+ to C-
Default	SD B

Reverse Repurchase agreements at amortised cost:

	2025	2024
	Stage 1 $'000	**Stage 1 $'000**
Credit grade		
Watch	8,536,690	4,030,335
Loss allowance (note 11)	(102)	(43)
	8,536,588	**4,030,292**

Debts securities at FVOCI:

	2025			
	Stage 1	**Stage 2 $'000**	**Stage 3 $'000**	**Total $'000**
Credit grade				
Watch	11,793,776	672,475	-	12,466,251
Loss allowance (note 31(b) (v) (v))	(31,758)	(30,400)	-	(62,158)

	2024			
	Stage 1	**Stage 2 $'000**	**Stage 3 $'000**	**Total $'000**
Credit grade				
Watch	11,458,727	621,039	1,078,857	13,158,623
Loss allowance (note 31(b) (v) (v))	(27,113)	(33,080)	(978,729)	(1,038,922)

31. Financial Risk Management (Continued)

(b) Credit risk (continued)

(iii) Exposure to credit risk

Loans

The following table summarises the Bank's credit exposure for loans at their carrying amounts, by industry sector:

	2025 $'000	2024 $'000
Construction, land development and real estate acquisition	5,011,263	8,288,132
Distribution	3,278,811	4,568,422
Financial institutions	818,396	2,602,196
Mining, quarrying and processing	384,276	57,767
Manufacturing and utilities	2,358,526	2,826,644
Personal	82,813,861	79,780,263
Professional and other services	43,933,216	30,417,171
Tourism and entertainment	1,941,880	556,096
Transport, storage and communication	528,766	710,344
Electricity, gas and water	16,253	194,101
Entertainment	337	55,782
Agriculture	151,746	186,778
Overseas residents	19,211	11,492
Renewable energy systems	11,900	16,394
Food and beverages services	1,015	60,777
Other	123,404	105,712
Total	141,392,861	130,438,071
Unamortised loan origination fees (note 15)	(1,398,908)	(1,318,274)
	139,993,953	129,119,797
Interest receivable (note 15)	655,585	740,158
	140,649,538	129,859,955
Less: Allowance for impairment [note 15(b), 31(b)(i)]	(3,303,133)	(3,376,384)
	137,346,405	126,483,571

Renegotiated loans and leases

Restructuring activities include extending payment arrangements, external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to 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 review.

There were no renegotiated loans which resulted in derecognition during the financial year.

31. Financial Risk Management (Continued)

(b) Credit risk (continued)

(iii) Exposure to credit risk (continued)

Repossessed collateral

The Bank can obtain property by taking possession of collateral held as security. Repossessed properties are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. The Bank does not occupy repossessed properties for business use.

The carrying value of the loans on which the collateral was repossessed during the year is $615,867,000 (2024: $222,864,000).

Investments

The following table summarises the Bank's credit exposure for investments at their carrying amounts, by issuer:

	2025	2024
	$'000	$'000
Government of Jamaica	2,515,809	2,510,064
Bank of Jamaica certificates of deposit	6,266,438	4,054,070
Corporate	3,537,026	6,285,637
Equity investments	30,041	30,254
	12,349,314	12,880,025
Interest receivable	116,937	278,598
	12,466,251	13,158,623

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

The Bank holds collateral against loans and advances in the form of mortgages over property, registered securities over other assets and guarantees. The collateral values are updated annually (including but not limited to professional valuations) with special focus given to individual collateral values when the loan is assessed as impaired. Collateral generally is not held over balances with banks or broker/dealers, except when securities are held under resale agreements. Collateral is not held against investment securities.

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31. Financial Risk Management (Continued)

(b) Credit risk (continued)

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

An estimate of the fair value of collateral and other security enhancements made as of the date of the financial statements:

	Loans		Resale agreements	
	2025 $'000	2024 $'000	2025 $'000	2024 $'000
Current financial assets:				
Cash secured	5,528,988	6,050,519	-	-
Property	107,928,878	86,165,898	-	-
Debt securities	5,221,146	1,765,557	9,228,767	4,382,370
Liens on motor vehicles	23,843,015	26,751,097	-	-
	142,522,027	120,733,071	9,228,767	4,382,370
Against past due:				
Cash secured	146,671	205,045	-	-
Property	15,620,663	16,756,710	-	-
Debt securities	-	3,580,386	-	-
Liens on motor vehicles	4,193,865	5,155,280	-	-
	19,961,199	25,697,421	-	-
Against past due and impaired financial assets:				
Cash secured	533	534	-	-
Property	3,032,594	2,094,632	-	-
Liens on motor vehicles	2,319,992	1,845,824	-	-
	5,353,119	3,940,990	-	-
	167,836,345	150,371,482	9,228,767	4,382,370

	2025					
	Nature of collateral held against loans per stage					
	Goss Amount $'000	Cash secured $'000	Property $'000	Debt securities $'000	Motor vehicles $'000	Total $'000
Stage 1	127,089,565	5,639,467	116,061,876	5,078,963	25,435,893	152,216,199
Stage 2	8,878,934	36,192	7,497,664	132,182	2,600,988	10,267,026
Stage 3	5,424,362	534	3,032,594	-	2,319,992	5,353,120
	141,392,861	5,676,193	126,592,134	5,211,145	30,356,873	167,836,345

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31. Financial Risk Management (Continued)

(b) Credit risk (continued)

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

	2024					
	Nature of collateral held against loans per stage					
	Goss Amount $'000	Cash secured $'000	Property $'000	Debt securities $'000	Motor vehicles $'000	Total $'000
Stage 1	114,928,869	5,628,804	94,228,058	5,147,864	29,130,137	34,134,863
Stage 2	10,941,111	626,760	8,694,550	198,079	2,776,240	12,295,629
Stage 3	4,568,091	534	2,094,632	-	1,845,824	3,940,990
	130,438,071	6,256,098	105,017,240	5,345,943	33,752,201	50,371,482

The Bank monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk at the reporting date is shown below:

	2025				
	Cash and cash equivalents $'000	Loans $'000	Reverse repurchase agreements $'000	Investment securities and pledged $'000	Total $'000
Concentration by sector:					
Government of Jamaica	-	-	-	2,524,811	2,524,811
Sovereign bonds	-	-	-	672,475	672,475
Bank of Jamaica	18,964,292	-	-	6,300,288	25,264,580
Corporate	-	49,934,657	-	2,968,677	52,903,334
Financial institutions	14,596,190	6,941,952	7,001,703	-	28,539,845
Retail	-	80,469,796	-	-	80,469,796
	33,560,482	137,346,405	7,001,703	12,466,251	190,374,841
Concentration by location					
Jamaica	24,285,037	118,528,877	6,675,678	11,152,473	160,642,065
North America	9,275,445	7,089,526	-	-	16,364,971
Dominica Republic	-	-	326,025	-	326,025
Trinidad and Tobago	-	57,402	-	641,303	698,705
Other	-	11,670,600	-	672,475	12,343,075
	33,560,482	137,346,405	7,001,703	12,466,251	190,374,841

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31. Financial Risk Management (Continued)

(b) Credit risk (continued)

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

	2024				
	Cash and cash equivalents	Loans	Reverse repurchase agreements	Investment securities	Total
	$'000	$'000	$'000	$'000	$'000
Concentration by sector:					
Government of Jamaica	-	-	-	2,518,900	2,518,900
Sovereign bonds	-	-	-	621,039	621,039
Bank of Jamaica	18,121,519	-	-	4,068,531	22,190,050
Corporate	-	41,877,565	-	5,950,153	47,827,718
Financial institutions	14,430,339	6,333,174	4,043,464	-	24,806,977
Retail	-	78,272,832	-	-	78,272,832
	32,551,858	126,483,571	4,043,464	13,158,623	176,237,516
Concentration by location					
Jamaica	26,175,618	110,354,575	3,218,586	10,841,513	150,590,292
North America	4,629,431	6,525,611	-	-	11,155,042
Dominican Republic	-	-	824,878	-	824,878
Trinidad and Tobago	-	60,660	-	632,782	693,442
Other	1,746,809	9,542,725	-	1,684,328	12,973,862
	32,551,858	126,483,571	4,043,464	13,158,623	176,237,516

(v) Expected credit loss measurement

The key inputs, assumptions and techniques used for estimating impairment adopted by the Bank are as follows:

(i) Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost and effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information.

The analysis is performed by comparing the lifetime probability of default (PD) at the reporting date to the lifetime PD that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Bank uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in probability of default (PD)
- qualitative indicators; and
- backstop of 30 days past due.

31. Financial Risk Management (Continued)

(b) Credit risk (continued)

(v) Expected credit loss measurement (continued)

The key inputs, assumptions and techniques used for estimating impairment adopted by the Bank are as follows:

(i) Significant increase in credit risk (continued)

Credit risk grades:

Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Borrower and loan specific information collected at the time of application (such as disposable income, level of collateral for retail exposures and turnover and industry type for corporate exposures) is fed into this rating model. This is supplemented with external data such as credit bureau scoring information on individual borrowers. In addition, the models enable expert judgement from the Credit Risk Officer to be considered in the final internal credit rating for each exposure.

The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade. For example, this means that the difference in the PD between an A and A- rating grade is lower than the difference in the PD between a B and B- rating grade.

The following are additional considerations for each type of portfolio held by the Bank:

Retail

For retail business, the rating is determined at the borrower level. After the date of initial recognition the payment behaviour of the borrower is monitored on a periodic basis and adjusted as necessary. Any other known information about the borrower which impacts their creditworthiness such as unemployment and previous delinquency history is also incorporated into the behavioural score. This score is mapped to a PD.

Commercial and Corporate

For commercial and corporate business, the rating is determined at the borrower level. A relationship manager will incorporate any updated or new information/credit assessments into the credit system on an ongoing basis. In addition, the credit risk manager will also update information about the creditworthiness of the borrower on an annual basis from sources such as financial statements.

31. Financial Risk Management (Continued)

(b) Credit risk (continued)

(v) Expected credit loss measurement (continued)

(i) Significant increase in credit risk (continued)

Credit risk grades (continued):

Treasury

For debt securities in the treasury portfolio, external rating agency credit grades are used. These published grades are continuously monitored and updated. The PD's term structure associated with each grade is determined based on 41 realized default rates as derived from the average 12-month through-the-cycle (TTC) transition matrices, as published by the rating agency.

The Bank's rating method comprises 21 rating levels for instruments not in default (1 to 21) and two default classes (22 and 23). The master scale assigns each rating category a specified range of probabilities of default, which is stable over time. The rating methods are subject to periodic (at least once every three years) validation and recalibration so that they reflect the latest projections in light of actually observed defaults.

The Bank considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Bank does not apply the low credit risk exemption to any other financial instruments.

Generating the term structure of PD:

Credit risk grades are the primary input into the determination of PD. The Bank collects performance and default information about its credit risk exposures analysed by jurisdiction and by type of product and borrower as well as by credit risk grading.

Determining when credit risk has increased significantly

The Bank considers that there is a significant increase in credit risk for its loan portfolio if a loan is more than 30 days past due or there is a two-notch downgrade in its internal ratings. The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Bank's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This is the case for exposures that meet certain heightened risk criteria such as placement on a watch list.

The Bank considers that there is a significant increase in credit risk for its investment instruments when there is a decrease in credit rating as follows: a three-notch downgrade from investment grade to non-investment grade (below BBB-); a two-notch downgrade within or outside the BB/B bucket; or a one-notch downgrade within or outside the B-, CCC, CC and C buckets.

Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Bank determines a probation period of 12 months during which the financial asset is required to demonstrate compliance to provide evidence that its credit risk has declined sufficiently.

When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

31. Financial Risk Management (Continued)

(b) Credit risk (continued)

(v) Expected credit loss measurement (continued)

The key inputs, assumptions and techniques used for estimating impairment adopted by the Bank are as follows (continued):

(i) *Definition of default*

The Bank considers the following quantitative and qualitative factors in determining whether a financial asset is in default:

- The borrower is more than 90 days past due on its obligation to the Bank.

- A decrease in internal rating of RR6 or higher

- The borrower is unlikely to pay its obligation to the Bank in full, without recourse by the Bank to actions such as realising security. This may arise from instances such as bankruptcy, long-term forbearance, insolvency, breach of financial covenants, death or restructuring.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Financial assets classified at 'default' are transferred to stage 3 and impairment loss is measured based on lifetime expected credit losses.

(ii) Incorporation of forward-looking information

The Bank incorporates forward-looking information into the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of the expected credit losses (ECL).

The Bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument.

The impact of these economic variables on the PD, EAD and LGD has been determined by performing a trend analysis and comparing historical information with forecast macro-economic data to determine whether the indicator describes a positive, negative or stable trend and to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

The Bank formulates three scenarios: a base case, which is the median scenario and assigned a 75% probability of occurring and two likely scenarios; being best, assigned a rating of 15% and worst, assigned a rating of 10%. The base case is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. External information includes economic data and forecast published by government bodies, monetary bodies and supranational organisations such as the International Monetary Fund.

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31. Financial Risk Management (Continued)

(b) Credit risk (continued)

(v) Expected credit loss measurement (continued)

(iii) Incorporation of forward-looking information (continued)

The scenario weightings are determined by a combination of statistical analysis and expert credit judgement.

	Upside	Base	Downside
Gross Domestic Product	2%	1-2%	1%
Inflation rate	4%	4-6%	6%
Unemployment	<6%	6 – 6.5%	>6.5%
Interest rate	<1%	>1%	1%

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

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments, and using the scorecard approach has estimated relationships between macro-economic variables and credit risk and credit losses. The Bank has assessed that the key drivers of its sovereign portfolio are debt to GDP ratio, current account to GDP ratio and net international reserves with weightings of 30%, 20% and 50% respectively. The drivers for the corporate portfolio are debt to GDP ratio, GDP annual growth rate and annual inflation with weightings of 10%, 60% and 30% respectively. The factors identified have determined a forward-looking adjustment of 1.035 (2024:1.043:) for corporate loans and 1.018 (2024:1.085) for individual loans.

The assumptions underlying the ECL calculation such as how the maturity profile or the collateral values change are monitored and reviewed on a quarterly basis.

(iv) Computation of the expected credit loss (ECL)

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next twelve months (12-month PD) or over the remaining lifetime (lifetime PD) of the obligation.

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL for stage 2 and stage 3 financial assets is calculated by multiplying the lifetime PD by LGD and EAD.

31. Financial Risk Management (Continued)

(b) Credit risk (continued)

(v) Expected credit loss measurement (continued)

(iv) Computation of the expected credit loss (ECL) (continued)

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by property, loan to value (LTV) ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default.

Subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

The Bank uses a simplified scorecard in estimating its forward-looking indicator factors. This model differentiates between sovereign, corporate and retail loan exposures. A minimum of three leading macroeconomic variables are used for each asset class. There was no significant changes in estimation techniques or significant assumptions made during the reporting period.

(v) Loss allowance

The loss allowance recognised in the period is impacted by the following factors:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

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31. Financial Risk Management (Continued)

(b) Credit risk (continued)

(v) Expected credit loss measurement (continued)

(v) Loss allowance (continued)

The following table shows reconciliations from the opening to closing balance of the loss allowance by class of financial instrument.

- **Loans at amortised cost:**

	2025			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Balance at 1 April 2024	114,928,869	10,941,111	4,568,090	130,438,070
Transfer from Stage 1 to Stage 2	(3,955,814)	3,955,814	-	-
Transfer from Stage 1 to Stage 3	(945,067)	-	945,067	-
Transfer from Stage 2 to Stage 3	-	(1,119,002)	1,119,002	-
Transfer from Stage 2 to Stage 1	1,961,843	(1,961,843)	-	-
Transfer from Stage 3 to Stage 1	44,489	-	(44,489)	-
Transfer from Stage 3 to Stage 2	-	49,949	(49,949)	-
Financial assets derecognised during year	(27,049,676)	(2,897,389)	(870,535)	(30,817,600)
New financial assets originated or purchased	48,606,482	1,068,906	120,257	49,795,645
Paydowns	(7,002,261)	(803,259)	(217,734)	(8,023,254)
Foreign exchange and other movements	500,700	(355,353)	(145,347)	-
Balance at 31 March 2025	127,089,565	8,878,934	5,424,362	141,392,861

	2024			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Balance at 1 April 2023	105,497,942	6,708,007	4,014,676	116,220,625
Transfer from Stage 1 to Stage 2	(5,095,807)	5,095,807	-	-
Transfer from Stage 1 to Stage 3	(954,630)	-	954,630	-
Transfer from Stage 2 to Stage 3	-	(835,378)	835,378	-
Transfer from Stage 2 to Stage 1	303,394	(303,394)	-	-
Transfer from stage 3 to Stage 2	-	1,795	(1,795)	-
Financial assets derecognised during year	(17,961,943)	(1,975,083)	(434,581)	(20,371,607)
New financial assets originated or purchased	40,135,782	2,718,541	305,847	43,160,170
Paydowns	(6,964,164)	(312,855)	(670,758)	(7,947,777)
Foreign exchange and other movements	(31,705)	(156,329)	(435,306)	(623,340)
Balance at 31 March 2024	114,928,869	10,941,111	4,568,091	130,438,071

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31. Financial Risk Management (Continued)

(b) Credit risk (continued)

(v) Expected credit loss measurement (continued)

(v) Loss allowance (continued)

	2025			
	Stage 1 $'000	**Stage 2 $'000**	**Stage 3 $'000**	**Total $'000**
Balance at 1 April 2024	879,876	377,496	2,119,012	3,376,384
Transfer from Stage 1 to Stage 2	(40,775)	40,775	-	-
Transfer from Stage 1 to Stage 3	(19,875)	-	19,875	-
Transfer from Stage 2 to Stage 3	-	(51,979)	51,979	-
Transfer from Stage 2 to Stage 1	34,511	(34,511)	-	-
Transfer from Stage 3 to Stage 1	18,021	-	(18,021)	-
Transfer from Stage 3 to Stage 2	-	318	(318)	-
Financial assets derecognised during year	(115,295)	(105,381)	(737,016)	(957,692)
New financial assets originated or purchased	684,780	374,915	236,185	1,295,880
Repayments	(135,459)	(104,533)	(171,447)	(411,439)
Foreign exchange and other movements	(523,158)	(238,540)	761,698	-
Balance at 31 March 2025	782,626	258,560	2,261,947	3,303,133

	2024			
	Stage 1 $'000	**Stage 2 $'000**	**Stage 3 $'000**	**Total $'000**
Balance at 1 April 2023	802,739	321,167	1,899,892	3,023,798
Transfer from Stage 1 to Stage 2	(47,798)	47,798	-	-
Transfer from Stage 1 to Stage 3	(22,306)	-	22,306	-
Transfer from Stage 2 to Stage 3	-	(52,874)	52,874	-
Transfer from Stage 2 to Stage 1	13,219	(13,219)	-	-
Financial assets derecognised during year	(79,910)	(5,013)	(255,052)	(339,975)
New financial assets originated or purchased	264,424	32,136	77,151	373,711
Repayments	(39,757)	(61,611)	415,145	313,777
Foreign exchange and other movements	(10,735)	109,112	(93,304)	5,073
Balance at 31 March 2024	879,876	377,496	2,119,012	3,376,384

31. Financial Risk Management (Continued)

(b) Credit risk (continued)

(v) Expected credit loss measurement (continued)

(v) Loss allowance (continued)

- **Debt securities at FVOCI:**

	2025
	$'000
Balance at beginning of year	1,038,922
Financial assets derecognised during year	(986,135)
New financial assets originated or purchased	12,417
Foreign exchange and other movements	(3,046)
Balance at end of year	62,158

	2024
	$'000
Balance at beginning of year	138,913
Financial assets derecognised during year	(14,407)
New financial assets originated or purchased	8,251
Foreign exchange and other movements	906,165
Balance at end of year	1,038,922

(c) Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be failure to meet obligations to repay depositors and fulfil commitments to lend.

The Bank is exposed to calls on its available cash resources from overnight deposits, maturing deposits, loan draw downs and guarantees. The Bank does not maintain cash resources to meet all of these needs as experience shows that a level of reinvestment of maturing funds can be predicted with a high level of certainty.

The Bank has implemented a liquidity risk response strategy, including liquidity stress testing, contingency planning and proactive monitoring and projecting of liquidity needs. The Board of Directors approves the Bank's liquidity management policies and establishes limits to control risk.

Management of liquidity risk

The Bank's Treasury Department has direct responsibility for the management of the day-to-day liquidity. The Asset and Liability Committee (ALCO) provides senior management oversight of the Bank's liquidity risk exposure, within the policy and limit frameworks established by the Board.

31. Financial Risk Management (Continued)

(c) Liquidity risk (continued)

Management of liquidity risk (continued)

The management of liquidity risk is carried out through various methods which include:

- Monitoring day-to-day funding, managed to ensure that future cash flows requirements can be met. This includes replenishment of funds as they mature.

- Establishment of committed lines and mismatch limits.

- Diversification of funding sources

- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow within the local and international markets.

- Monitoring liquidity ratios on the statement of financial position against internal and regulatory requirements.

- Maintenance of liquidity and funding contingency plans.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month, respectively. These are the 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 and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for entities to be completely matched, as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability but can also increase the risk of loss. Based on historical trend, there is no expectation that the deposits by the public will be withdrawn or repaid by the Bank within 3 months. These deposits are from a diverse set of clients.

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 Bank and its exposure to changes in interest rates and exchange rates. Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash and central bank balances; government and corporate bonds; treasury bills; and loans.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Bank does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, as many of these commitments will expire or terminate without being funded.

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31. Financial Risk Management (Continued)

(c) Liquidity risk (continued)

Management of liquidity risk (continued)

The following table presents the cash flows payable by the Bank under non-derivative financial instruments by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. The carrying amounts are those reported in the statement of financial position.

	2025						
	Terminable on demand	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total Contractual Cash Flows	Carrying Total Amount
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial liabilities							
Repurchase agreements	1,269,591	1,959,805	-	-	-	3,229,396	3,173,143
Deposits	-	118,098,392	43,713,511	216,029	348,082	162,376,014	160,700,165
Due to other financial institutions	-	-	2,715,290	2,496,326	6,697,831	11,909,447	9,637,959
Lease liabilities	-	44,613	137,723	718,504	1,693,696	2,594,536	1,226,124
Accounts payable*	-	1,754,390	-	-	-	1,754,390	1,754,390
Total financial liabilities	1,269,591	121,857,200	46,556,524	3,430,859	8,739,609	181,863,783	176,491,781

	2024						
	Terminable on demand	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total Contractual Cash Flows	Carrying Total Amount
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial liabilities							
Repurchase agreements	1,140,050	2,532,096	-	-	-	3,672,146	3,642,034
Deposits	-	109,503,831	32,702,743	171,069	596,819	142,974,462	141,186,850
Due to other financial institutions	-	-	4,360	8,829,005	6,521,237	15,354,602	12,409,993
Lease liabilities	-	12,156	10,419	22,325	-	44,900	41,042
Accounts payable*	-	1,185,379	-	-	-	1,185,379	1,185,379
Total financial liabilities	1,140,050	113,233,462	32,717,522	9,022,399	7,118,056	163,231,489	158,465,298

*The amounts for accounts payable exclude withholding taxes and deferred income.

The table below shows the contractual expiry by maturity of the Bank's guarantees and commitments.

	2025			
	No later than 1 Year	1 to 5 Years	Over 5 Years	Total
	$'000	$'000	$'000	$'000
Loan commitments	530,129	24,150	92,498	646,777
Guarantees, acceptances and other financial liabilities	735,079	99,470	45,683	880,232
	1,265,208	123,620	138,181	1,527,009

31. Financial Risk Management (Continued)

(c) Liquidity risk (continued)

Management of liquidity risk (continued)

	2024			
	No later than 1 Year	**1 to 5 Years**	**Over 5 Years**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Loan commitments	1,955,577	2,844,563	217,571	5,017,711
Guarantees, acceptances and other financial liabilities	914,885	110,549	45,650	1,071,084
	2,870,462	2,955,112	263,221	6,088,795

(d) Market risk

Market risk is the risk that the value or cash flow of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer, or factors affecting all securities traded in the market. Market risk results primarily from changes in interest rates, foreign exchange rates and equity prices.

Management of market risk

The Asset & Liability Committee has responsibility for the management of on-balance sheet risks and employs various methods and financial instruments that provide suitable hedge against specified exposures where required. This Committee monitors and measures market risk exposure through gap analysis, sensitivity analysis and stress testing within the policy and limit frameworks established by the Board.

Sensitivity analysis is a widely used risk measurement tool that allows management to make judgments regarding the potential loss in future earnings, fair values and cash flows on market-sensitive instruments resulting from one or more hypothetical changes in interest rate, foreign currency exchange rates and other relevant market rates or prices over a selected period of time.

Market information and additional analysis is also used to manage risk exposure and mitigate the limitation of sensitivity analysis.

The exposure to market risk includes foreign currency and interest rate risks that are managed as follows:

Foreign currency risk

Foreign currency risk is the risk of loss arising from adverse movements in foreign exchange rates.

The Bank is exposed to foreign currency risk as a result of transactions that are denominated in a currency other than the Jamaican dollar. The main currencies giving rise to the exposure are the United States Dollar, Canadian Dollar, the British Pound and the Euro. The Bank manages foreign currency risk through the establishment of limits for net open positions and matching foreign assets and liabilities as far as possible.

The Bank faces exposure to the effect of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets the limits on the exposure by currency and on aggregate, which are monitored daily. This limit may vary from time to time as determined by the Risk Department's assessment of volatility in exchange rates and with the approval of the Asset and Liability Committee.

31. Financial Risk Management (Continued)

(d) Market risk (continued)

Foreign currency risk (continued)

The Bank's net foreign currency balances as at year-end, incurred in the normal course of business, were as follows:

	2025				
	TTD	USD	GBP	CAD	EUR
	’000	’000	’000	’000	’000
Financial assets					
Total assets	-	351,570	9,738	15,108	1,181
Total liabilities	(46)	(362,700)	(10,579)	(17,801)	(2,453)
Net exposure	(46)	(11,130)	(841)	(2,693)	(1,272)

	2024				
	TTD	USD	GBP	CAD	EUR
	’000	’000	’000	’000	’000
Financial assets					
Total assets	-	331,375	16,756	10,468	2,065
Total liabilities	(32)	(356,246)	(17,896)	(10,195)	(3,406)
Net exposure	(32)	(24,871)	(1,140)	273	(1,341)

Foreign currency sensitivity

The table below represents management's assessment of a reasonably probable change in foreign exchange rates and the impact on income based on foreign currency denominated balances at the reporting date. There is no direct impact on other components of equity. The correlation of variables will have a significant effect on determining the ultimate impact on market risk, but to demonstrate their impact, variables had to be assessed on an individual basis.

	2025		2024	
Devaluation of JMD	**Change in Currency Rate %**	**Effect on Profit $’000**	**Change in Currency Rate %**	**Effect on Profit $’000**
Currency:				
USD	3.5	(61,416)	4	(153,112)
CAD	3.5	(10,245)	4	1,246
GBP	3.5	(5,946)	4	(8,794)
EURO	3.5	(7,621)	4	(8,930)
TT	3.5	(38)	4	(29)
Revaluation of JMD				
USD	1	17,548	1	38,278
CAD	1	2,927	1	(312)
GBP	1	1,699	1	2,199
EURO	1	2,177	1	2,233
TT	1	11	1	7

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31. Financial Risk Management (Continued)

(d) Market risk (continued)

Interest rate risk

Interest rate risk is the risk of loss due to changes in interest rates. The Bank is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Mismatch of positions between assets and liabilities in periods of rising or declining interest rates may also result in loss of earnings. Management sets limits on the level of mismatch of interest rate repricing that may be undertaken. This is monitored on a periodic basis.

Interest rate risk exposure is measured using gap analysis and sensitivity analysis. Interest rate risk is managed by maintaining an appropriate mix of variable and fixed rate instruments.

The following tables summarise the Bank's exposure to interest rate risk in respect of financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The tables represent those financial instruments whose interest rates change concurrently with a change in the underlying interest rate basis.

	2025							
	Terminable on Demand $'000	**Within 1 Month $'000**	**1 to 3 Months $'000**	**3 to 12 Months $'000**	**1 to 5 Years $'000**	**Over 5 Years $'000**	**Non-Rate Sensitive $'000**	**Total $'000**
Financial assets								
Cash and balances with banks	-	33,560,482	-	-	-	-	-	33,560,482
Accounts receivable	-	-	-	-	-	-	1,383,217	1,383,217
Investment in securities, including pledged assets		2,227,760	1,249,803	327,447	5,352,007	3,162,256	146,978	7,114,244
Reverse repurchase agreements	-	3,637,540	1,648,651	3,250,397	-	-	157,602	8,694,190
Promissory note	-	-	252,272	-	750,000	-	34,937	1,037,209
Loans and notes receivable	-	4,537,291	4,410,720	16,396,620	18,325,47	93,020,71	655,585	137,346,405
Total financial assets	-	43,963,073	7,561,446	19,974,464	24,427,48	96,182,96	2,378,319	194,487,754
Financial liabilities								
Repurchase agreements including pledged securities	1,182,525	1,958,111	-	-	-	-	32,507	3,173,143
Deposits	-	85,206,371	31,462,626	41,684,975	195,747	257,915	1,892,531	160,700,165
Due to other financial institutions	-	-	-	2,544,775	2,136,888	4,927,527	28,769	9,637,959
Lease liabilities	-	2,246	4,553	26,852	188,701	1,003,772	-	1,226,124
Accounts payable	-	-	-	-	-	-	1,792,987	1,792,987
Total financial liabilities	1,182,525	87,166,728	31,467,179	44,256,602	2,521,336	6,189,214	3,746,794	176,530,378
Total interest rate repricing gap	(1,182,525)	(43,203,655)	(23,905,733	(24,282,138)	21,906,14	89,993,75	(1,368,475)	17,957,376
Cumulative interest rate gap	(1,182,525)	(44,386,180)	(68,291,913	(92,574,051)	(70,667,90	19,325,85	17,957,376	

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31. Financial Risk Management (Continued)

(d) Market risk (continued)

Interest rate risk (continued)

	2024							
	Terminable on Demand	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non-Rate Sensitive	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets								
Cash and balances with banks	-	32,551,858	-	-	-	-	-	32,551,858
Investment in securities, including pledged assets	-	3,853,987	1,211,059	1,950,479	1,544,906	4,289,340	308,852	13,158,623
Reverse repurchase agreements	-	1,594,526	2,435,766	-	-	-	13,172	4,043,464
Loans and notes receivable	-	3,769,997	3,277,790	15,125,073	16,312,120	87,156,252	842,339	126,483,571
Accounts receivable	-	-	-	-	-	-	1,210,785	1,210,785
Total financial assets	-	41,770,368	6,924,615	17,075,552	17,857,026	91,445,592	2,375,148	177,448,301
Financial liabilities								
Repurchase agreements including pledged securities	1,085,699	2,520,000	-	-	-	-	36,335	3,642,034
Deposits	-	78,524,272	29,410,056	30,977,138	156,856	343,339	1,775,189	141,186,850
Due to other financial institutions	-	-	-	4,209	7,520,714	4,851,544	116,362	12,492,829
Lease liabilities	-	3,817	7,689	9,070	20,466	-	-	41,042
Accounts payable	-	-	-	-	-	-	1,253,501	1,253,501
Total financial liabilities	1,085,699	81,048,089	29,417,745	30,990,417	7,698,036	5,194,883	3,181,387	158,616,256
Total interest rate repricing gap	(1,085,699)	(39,277,721)	(22,493,130)	(13,914,865)	10,158,990	86,250,709	(806,239)	18,832,045
Cumulative interest rate gap	(1,182,525)	(40,460,246)	(62,953,376)	(76,868,241)	(66,709,251)	19,541,458	18,735,219	

Average effective yields by the earlier of the contractual repricing or maturity dates:

	2025					
	Immediately Rate Sensitive	1 to 3 Month	3 to 12 Months	1 to 5 Years	Over 5 Years	Average
	%	%	%	%	%	%
Financial assets						
Investment in securities	6.29	14.00	3.31	5.81	8.79	7.37
Reverse repurchase agreements	4.12	7.16	7.14	-	-	5.86
Loans and notes receivable	8.87	10.78	12.42	11.62	8.45	9.48
Promissory note	-	6.55	9.50	-	-	8.76
Financial liabilities						
Deposits	2.20	6.01	5.57	3.39	2.40	3.84
Repurchase agreements	5.39	-	7.43	-	-	6.16
Due to other financial institutions	-	-	6.78	6.57	2.27	4.42

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31. Financial Risk Management (Continued)

(d) Market risk (continued)

Interest rate risk (continued)

	2024					
	Immediately Rate Sensitive	1 to 3 Month	3 to 12 Months	1 to 5 Years	Over 5 Years	Average
	%	%	%	%	%	%
Financial assets						
Investment in securities	6.70	10.00	9.96	7.66	8.24	8.13
Reverse repurchase agreements	4.87	7.80	-	-	-	6.64
Loans and notes receivable	11.73	10.81	11.35	11.38	8.42	9.36
Financial liabilities						
Deposits	2.63	7.25	6.72	2.96	4.70	4.52
Repurchase agreements	8.49	-	7.71	-	-	8.26
Due to other financial institutions	-	-	5.13	6.81	1.84	4.86

(i) Yields are based on book values and contractual interest adjusted for amortisation of premiums and discounts. Yields on tax-exempt investments have not been computed on a taxable equivalent basis.

(ii) Yields are based on book values, net of allowance for credit losses and contractual interest rates.

(iii) Yields are based on contractual interest rates.

Interest rate sensitivity

The following table indicates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Bank's interest income in the profit and loss account and gains and losses recognised in other comprehensive income.

The sensitivity of the profit or loss is the effect of the assumed changes in interest rates based on the floating rate financial assets and financial liabilities. The sensitivity of other comprehensive income is calculated by revaluing fixed-rate FVOCI financial assets for the gross effects of the assumed changes in interest rates. The correlation of a number of variables will have an impact on market risk. It should be noted that movements in these variables are non-linear and are assessed individually.

2025			2024		
Change in basis points JMD/USD	Effect on Profit	Effect on Other Comprehensive Income	Change in basis points JMD/USD	Effect on Profit	Effect on Other Comprehensive Income
	$'000	$'000		$'000	$'000
-50/-50	(365,584)	54,215	-50/-50	(356,533)	184,881
+100/+100	731,168	(478,942)	+100/+100	713,066	(345,161)

31. Financial Risk Management (Continued)

(d) Market risk (continued)

Equity price risk

Equity price risk arises from price fluctuation in equity prices in either individual stocks (non-systemic risk) or in the market as a whole (systemic risk).

The Bank sets limits on the level of exposure, and diversification is a key strategy employed to reduce the impact on the portfolio, which may result from the non-performance of a specific class of assets. Given the potential volatility in the value of equities and the non-interest bearing characteristics of these instruments the Bank limits the amount invested in them.

The Bank does not have a material exposure to equity price sensitivity on its investments in unquoted equities.

(e) Capital management

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

(i) To comply with the capital requirements set by the regulators;

(ii) To safeguard the Bank’s ability to continue as a going concern so that it can continue to provide returns for stockholders and benefits for other stakeholders; and

(iii) To maintain a strong capital base to support the development of its business.

The Board provides oversight of capital sufficiency and deployment within the Bank. It determines internal capital limits in line with its stated risk appetite based on an annual internal capital adequacy assessment process.

Capital adequacy and the use of regulatory capital are monitored monthly by the Bank’s management employing techniques based on the guidelines developed by the Bank of Jamaica (BOJ). The required information is filed with the respective Regulatory Authorities at stipulated intervals.

The BOJ requires each regulated entity to:

(i) Hold the minimum level of the regulatory capital; and
(ii) Maintain a minimum ratio of total regulatory capital to the risk-weighted assets.

The Bank’s regulatory capital consists of Tier 1 and Tier 2 capital, less prescribed deductions as follows:

(i) Tier 1 capital: share capital, retained earnings and reserves created by appropriations of retained earnings less intangible assets and any net loss position arising from fair value accounting.

(ii) Tier 2 capital: provisions for losses on loans limited to a maximum of one and one quarter percent (1.25%) of the total risk weighted assets.

(iii) Prescribed deductions: investments in subsidiaries and connected entities.

The risk weighted assets are measured by means of a hierarchy of five risk weights, classified according to the nature of each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

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31. Financial Risk Management (Continued)

(e) Capital management (continued)

The table below summarises the composition of regulatory capital and the ratios of the Bank as at the reporting date. The Bank complied with all of the externally imposed capital requirements to which it is subject.

	2025 $'000	2024 $'000
Tier 1 capital	17,499,507	17,679,330
Tier 2 capital	1,341,344	1,236,746
Total regulatory capital	18,840,851	18,916,076
Total required capital	14,744,270	14,991,773

	2025 $'000	2024 $'000
Risk-weighted assets -		
On-balance sheet	141,368,741	142,581,019
Off-balance sheet	3,112,347	2,912,883
Foreign exchange exposure	2,961,612	4,423,824
	147,442,700	149,917,726
Actual capital base to risk weighted assets	12.78%	12.62%
Required capital ratio to risk weighted assets	10%	10%

(f) Operational risk

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

The Bank's objective is to manage operational risks so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- requirement for appropriate segregation of duties, including the independent authorisation of transactions;
- requirement for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of control and procedures;
- requirement for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirement for the reporting of operational losses and proposed remedial action;
- development of a contingency plan;
- risk mitigation, including insurance where this is effective.

31. Financial Risk Management (Continued)

(f) Operational risk (continued)

Compliance with the Bank's standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with findings submitted to senior management and the Audit & Compliance Committee.

(g) Fair value of financial instruments

Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its unit absence, the most advantageous market to which the Bank has access at that date.

The following methods and assumptions have been used:

(i) Investment in securities classified as fair value through other comprehensive income are measured at fair value by reference to quoted market prices or broker/dealer price quotations where available. If quoted market prices are not available, fair values are estimated on the basis of pricing models or other recognised valuation techniques.

(ii) the carrying amounts of liquid and other assets maturing within one year are assumed to approximate their fair value. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities;

(iii) the carrying amounts of variable rate financial instruments are assumed to approximate their fair values, as the rate on these instruments typically reset in line with market rates.

(iv) the fair value of fixed rate loans is estimated by comparing market interest rates when the loans were granted with current market rates offered on similar loans. The loan portfolio comprises variable rate loans which can be reset as market rates change and are therefore carrying value reflects fair value. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values, as the impact of credit risk is recognised separately by deducting the allowance for credit losses from both book and fair values.

(v) the fair values of demand deposits and other accounts with no specific maturity are assumed to be the amounts payable on demand at the reporting date.

The following methods and assumptions have been used:

(vi) the fair values of deposits and other liabilities having specific maturity after one year, are determined by discounting future cash flows using reporting date yields of similar instruments.

The financial instruments are grouped into levels 1 to 3 based on the degree to which the fair value is observable, as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical instruments;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the instrument, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the instrument that are not based on observable market data (unobservable inputs).

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31. Financial Risk Management (Continued)

(g) Fair value of financial instruments (continued)

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

Accounting classification and fair values:

The following table shows the carrying amounts and fair values of financial assets including their levels in the fair value hierarchy. It does not include fair value information for financial assets not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	2025			
Financial assets measured at fair value	**Carrying amount FVOCI $'000**	**Fair Value Level 2 $'000**	**Fair Value Level 3 $'000**	**Total $'000**
GOJ securities	2,515,809	2,515,809	-	2,515,809
BOJ certificates of deposits	6,266,438	6,266,438	-	6,266,438
Corporate bonds	3,537,026	3,537,026	-	3,537,026
Equities	30,041	-	30,041	30,041
	12,349,314	12,319,273	30,041	12,349,314

	2024			
Financial assets measured at fair value	**Carrying amount FVOCI $'000**	**Fair Value Level 2 $'000**	**Fair Value Level 3 $'000**	**Total $'000**
GOJ securities	2,510,064	2,510,064	-	2,510,064
BOJ certificates of deposits	4,054,070	4,054,070	-	4,054,070
Corporate bonds	6,285,637	6,285,637	-	6,285,637
Equities	30,254	-	30,254	30,254
	12,880,025	12,849,771	30,254	12,880,025

The fair values of the financial assets and liabilities not disclosed above are considered to approximate their fair values. All financial instruments are considered to be held at level 2 with the exception of loans which is considered to be level 3.

(expressed in Jamaican dollars unless otherwise indicated)

31. Financial Risk Management (Continued)

(g) Fair value of financial instruments (continued)

The following table shows the valuation techniques used in measuring and disclosing the fair value of financial instruments.

Type of financial instrument	Method of estimating fair value
US$ denominated GOJ securities and corporate bonds	• Apply bid price provided by a recognised broker/dealer, namely, Bloomberg, Jefferies and Oppenheimer • Apply price to estimate fair value
J$ denominated securities issued or guaranteed by GOJ	• Apply bid price provided by a recognised pricing source (which uses Jamaica-market-supplied actual and indicative bids) • Apply price to estimate fair value
Loans	• For fixed rate loans, discount cash flows using current market rates offered on similar loans. The loan portfolio comprises of variable rate loans which can be reset as market rates change and fair value is therefore assumed to approximate carrying value. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values as the impact of credit risk is recognised separately by deducting the amount of the provisions for credit losses from both book and fair values.
Demand deposits and other accounts with no specific maturity	• Considered to be the amount payable on demand on the reporting date.

The Bank does not hold material financial instruments within level 3 of the fair value hierarchy

32. Contingencies and Commitments

(a) Litigation

The Bank is subject to claims, disputes and legal proceedings in the normal course of business. Provision is made for such matters when in the opinion of management and together with legal advice, it is probable that a payment will be made and the amount can be reasonably estimated. At 31 March 2025 and 31 March 2024 there is no material litigation against the Bank.

(b) Maintenance contract

The Bank has entered into more than one maintenance agreements with varying expiry dates for computer and other systems software. The expense incurred for the year was $539,034,000 (2024: $226,073,000). Over the remaining of the agreements, the Bank has committed to pay $152,386,318 to its vendors.

32. Contingencies and Commitments (continued)

(c) Credit

The Bank entered into commitments to extend credit to its customers on terms of six months and over amounted to $4,134,669,000 (2024: $4,602,787,000). The commitments are subject to the measurement of expected credit losses [see note 31(b)].

(d) Capital expenditure

At the reporting date, commitment for capital expenditure amount to approximately $718,863,000 (2024: $661,551,000) in respect of project cost of approximately $1,325,316,000 (2024: $863,463,000). Of this amount, $606,453,000 (2024: $201,912,000) has been disbursed and is included in intangible assets and IT expenses.

33. Material Accounting Policies

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

(a) Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in arriving at profit or loss for the year.

(b) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purposes of the financial statements, financial assets have been determined to include cash and cash equivalents, investment in securities, securities purchased under resale agreements, loans and notes receivable and accounts receivable. Financial liabilities comprise securities sold under repurchase agreements, deposits, promissory notes, due to other financial institutions and accounts payable.

Financial instruments are classified, recognised and measured in accordance with the substance of the terms of the contracts as set out herein.

(i) Initial recognition and measurement

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

At initial recognition, the Bank measures a financial asset or financial liability at its fair value plus or minus transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions.

33. Material Accounting Policies (Continued)

(b) Financial instruments (continued)

(ii) Classification and subsequent remeasurement

Financial assets

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

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

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

(a) Debt instruments

Classification and subsequent measurement of debt instruments depend on:

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

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

- *Amortised cost*: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVTPL. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described at note 31(b)(vii).

- *Fair value through other comprehensive income (FVOCI):* Financial assets that are held for *collection* of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL.

Business model: the business model reflects how the Bank manages the assets in order to generate cash flows. That is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL.

Factors considered by the Bank in determining the business model for a group of assets include:

1. Past experience on how the cash flows for these assets were collected;
2. How the asset's performance is evaluated and reported to key management personnel;
3. How risks are assessed and managed; and
4. How managers are compensated.

The Bank's retail and corporate banking business comprises primarily loans to customers that are held for collecting contractual cash flows. In the retail business the loans comprise mortgages, overdrafts, unsecured personal lending and credit card facilities. Sales of loans from these portfolios are very rare.

33. Material Accounting Policies (Continued)

(b) Financial instruments (continued)

(ii) Classification and subsequent remeasurement (continued)

Financial assets (continued)

(a) Debt instruments (continued)

Certain debt securities are held by the Bank in a separate portfolio for long-term yield. These securities may be sold, but such sales are not expected to be more than infrequent. The Bank considers that these securities are held within a business model whose objective is to hold assets to collect the contractual cash flows.

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

The Bank reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change.

(b) Equity instruments

Equity instruments do not contain a contractual obligation to pay and represent a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Bank measures all equity investments at fair value through profit or loss (FVTPL), except where the Bank's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Bank's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns.

Financial liabilities

Financial liabilities are subsequently measured at amortised cost, except for financial guarantee contracts and loan commitments (see note 31(c)).

(iii) Derecognition of financial assets and financial liabilities

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, any gains are recognised in profit or loss for financial assets measured at amortised cost.

33. Material Accounting Policies (Continued)

(b) Financial instruments (continued)

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

Any cumulative gains or losses recognised in OCI in respect of equity investment securities designated as at FVOCI are not recognised in profit or loss on derecognition.

The Bank enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

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

The exchange between the Bank and its original lenders of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

If the exchange is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

(iv) Modifications

Financial assets:

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised [see (b) (iii)] and a new financial asset is recognised at fair value plus any eligible transaction costs. Fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms, rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

33. Material Accounting Policies (Continued)

(b) Financial instruments (continued)

(iv) Modifications (continued)

Financial assets (continued):

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest method.

Financial liabilities:

The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability. If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss.

For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

(v) Measurement and gains and losses

The 'investment securities' caption in the statement of financial position includes:

- debt securities measured at FVOCI; and
- equity investment securities designated as at FVOCI.

For debt securities measured at FVOCI, gains and losses are recognised in other comprehensive income (OCI), except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest revenue using the effective interest method;
- ECL charges and reversals; and
- foreign exchange gains and losses.

When debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

33. Material Accounting Policies (Continued)

(b) Financial instruments (continued)

(v) Measurement and gains and losses (continued)

Specific financial instruments

Cash and cash equivalents

Cash comprises cash in hand, demand and call deposits with banks and very short-term balances with other brokers/dealers. Cash equivalents are highly liquid financial assets that are readily convertible to known amounts of cash (that is, with original maturities of less than three months), which are subject to insignificant risk of changes in value, and are used for the purpose of meeting short-term commitments. Cash and cash equivalents are classified and measured at amortised cost.

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including cash and non-restricted balances with Bank of Jamaica, items in the course of collection from other banks, items in the course of payment, and securities purchased under resale agreements.

Forward currency contracts

The Bank enters into forward contracts to manage its exposure to foreign exchange risk. These contracts are initially recognised at fair value on the date that they are entered into. The forward currency contracts are generally short-term contracts of three months or less. The fair values of the forward currency contracts are determined based a comparison of contractual and market rates. Forward contracts 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.

Resale and repurchase agreements

Transactions involving purchases of securities under resale agreements (‘resale agreements’ or reverse repos’) or sales of securities under repurchase agreements (‘repurchase agreements’ or ‘repos) are accounted for as short-term collateralised lending and borrowing, respectively.

It is the policy of the Bank to obtain possession of collateral with a fair value in excess of the principal amount loaned under resale agreements.

Loans and provision for credit losses

Loans and receivables are non-derivative financial assets with fixed or determinable payments, that are not quoted in an active market, and that the Bank does not intend to sell immediately or in the near term.

Loans are recognised when cash is advanced to borrowers. They are initially recorded at amortised cost, which is the cash given to originate the loan, including any origination fees and transaction costs, and subsequently measured at amortised cost using the effective interest method, less impairment allowances [see note 31(b)].

33. Material Accounting Policies (Continued)

(b) Financial instruments (continued)

(v) Measurement and gains and losses (continued)

Specific financial instruments (continued)

Loans and provision for credit losses (continued)

Jamaican banking regulations require that interest on non-performing loans be recognised on the cash basis. IFRS 9 requires that interest income on non-performing loans be accrued, to the extent collectible, and that the increase in the present value of impaired loans due to the passage of time be reported as interest income. The difference between the Jamaican regulatory basis and IFRS 9 requirement was assessed to be immaterial.

Statutory and other regulatory loan loss reserve requirements that exceed the amounts required under IFRS 9 are dealt with in a non-distributable loan loss reserve as an appropriation of retained earnings.

Accounts receivable

Accounts receivable are measured at amortised cost less impairment allowances.

Accounts payable

Accounts payable are measured at amortised cost.

Interest-bearing borrowings

Interest-bearing borrowings, other than repos, which are described in above, are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are measured at amortised cost, with any difference between cost and redemption recognised in the profit or loss over the period of the borrowings.

Financial guarantees, 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 [calculated as described in note 31(b)(iv)]; and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision.

33. Material Accounting Policies (Continued)

(b) Financial instruments (continued)

(vi) Offsetting

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.

(vii) Impairment

The Bank recognises loss allowances for expected credit losses (ECL) on financial assets that are debt instruments not measured at FVTPL [see note 31(b)].

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

(c) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The costs of day-to-day servicing of property, plant and equipment are recognised in profit or loss.

Property, plant and equipment, with the exception of freehold land, paintings and artwork on which no depreciation is provided, are depreciated on the straight-line basis at annual rates estimated to write down the assets to their residual values over their expected useful lives. The expected useful lives are as follows:

Freehold buildings	40 years
Leasehold improvements	The shorter of the estimated useful life and the period of the lease
Motor vehicles	5 years
Computer equipment	5 years
Other equipment, furniture and fixtures	3-5 years

The depreciation methods, useful lives and residual values are reassessed at each reporting date.

33. Material Accounting Policies (Continued)

(d) Intangible assets

Direct costs that are associated with identifiable software products controlled by the Bank that are expected to generate economic benefits beyond one year, are recognised as intangible assets. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads. Costs associated with maintaining computer software programmes are recognised as expenses over the expected period of usage (not expected to exceed 12 months).

Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software.

Computer software costs recognised as assets are amortised using the straight-line method over their useful lives, not exceeding a period of 5 years. The estimated useful lives, residual values and depreciation method are reviewed each year with the effect of any change in estimate being accounted for on a prospective basis.

(e) Provisions

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

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value, if the effect is material.

(f) Employee benefits

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

Short-term employee benefits are charged as expense within staff cost.

The Bank participates in a defined contribution plan whereby it pays contributions to a fund operated by a fellow subsidiary. Once the contributions have been paid, the Bank has no further payment obligations. The regular contributions constitute net periodic costs for the year in which they are due and are included in staff costs.

The Bank recognises termination benefits at the earlier of when the Bank can no longer withdraw the offer of those benefits and when the Bank recognises costs for a restructuring.

(g) Income taxes

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

(i) Current income tax

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to income tax payable in respect of previous years.

33. Material Accounting Policies (Continued)

(g) Income taxes (continued)

(ii) Deferred tax

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the reporting date.

(h) Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists for any asset, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

(i) Calculation of recoverable amount

The recoverable amount of other assets is the greater of their fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

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

(i) Income and expense recognition

Interest income and expenses:

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

Interest income and expenses:

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset when the asset is not credit-impaired. For financial assets that are credit-impaired, interest income is calculated by applying the effective interest rate to the net carrying amount of the financial asset. The Bank reverts to the gross basis if the asset is no longer credit-impaired.

33. Material Accounting Policies (Continued)

(i) Income and expense recognition (continued)

Fee and commission income

Fee and commission income from contracts with customers is measured based on the consideration specified in the contract with a customer and recognised as the related services are performed.

Performance obligations and revenue recognition policies:

The nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies are as follows:

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms.	Revenue recognition under IFRS 15
Retail and corporate banking service	The Bank provides banking services to retail and corporate customers, including account management, provision of overdraft facilities, foreign currency transactions and servicing fees.	Revenue from account service and servicing fees is recognised over time as the services are provided. Revenue related to transactions is recognised at the point in time that the transaction takes place.
	.	Fees for ongoing account management are charged to the customer's account on a monthly basis. The Bank sets the rates separately for retail and corporate banking customers on an annual basis. Transaction-based fees for interchange, foreign currency transactions and overdrafts are charged to the customer's account when the transaction takes place. Servicing fees are charged on a monthly basis and are based on fixed rates reviewed annually by the Bank

Dividend income

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

33. Material Accounting Policies (Continued)

(j) Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Bank has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of future lease payments, discounted using the Bank's incremental borrowing rate.

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

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

The lease liability is measured at amortised cost using the effective interest method.

If lease liability is remeasured to reflect changes in assumptions or terms, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

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

(ii) As a lessor

The Bank recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

33. Material Accounting Policies (Continued)

(k) Related parties

(a) Definitions

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

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

(b) Identity of related parties

The company has a related party relationship with its directors and senior management personnel. The directors and senior management collectively comprise, and are referred to as, "key management personnel".

(l) Dividend expense

Dividends to stockholders are recorded in the financial statements in the period which they are declared.

(m) New and amended standards and interpretations issued but are not yet effective

At the date of authorisation of the financial statements, certain new standards and amendments to existing standards and interpretations have been issued which are not yet effective and which the company has not early-adopted. The company has assessed all such new standards, amendments to existing standards and interpretations with respect to its operations and has determined that the following are likely to have an effect on the financial statements.

The following new and amended accounting standards are not expected to have a material impact on the Bank's financial statements.

- *Lack of Exchangeability (Amendments to IAS 21*, effective for periods beginning on or after 1 January 2025)

  The amendments provide clarification for situations where market participants are unable to buy and sell currency to meet their needs at the official exchange rate and turn instead to unofficial, parallel markets. The amendments contain no specific requirements for estimating a spot rate.

- *IFRS 18, Presentation and Disclosure in Financial Statements*, (effective for periods beginning on or after 1 January 2027)

  This Standard sets out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.
  The Bank is still to consider the impact of this standard.