2023
AUDITED FINANCIAL STATEMENTS

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Sagicor Bank

Sagicor Bank Jamaica Limited

Financial Statements
31 December 2023

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Independent auditor's report

To the Members of Sagicor Bank Jamaica Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Sagicor Bank Jamaica Limited (the Bank) as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards and with the requirements of the Jamaican Companies Act.

What we have audited

The Bank's financial statements comprise:

- the statement of financial position as at 31 December 2023;
- the income statement for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in shareholders' equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

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

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS Accounting Standards and with the requirements of 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.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 auditor's 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 auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements

As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

PricewaterhouseCoopers

Chartered Accountants
Kingston, Jamaica
12 March 2024

Sagicor Bank Jamaica Limited

Income Statement

Year ended 31 December 2023

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2023 $'000	2022 $'000
Net Interest Income and Other Revenue			
Interest income earned from financial assets measured at amortised cost and FVOCI		14,222,887	11,656,937
Other operating income		171,474	107,508
Total interest income	5	14,394,361	11,764,445
Interest expense	6	(3,261,673)	(2,154,588)
Net interest income		11,132,688	9,609,857
Credit impairment loss, net of recoveries	7	(580,473)	(474,185)
Net interest income after expected credit losses		10,552,215	9,135,672
Other revenue			
Fee and commission income		7,196,979	6,190,225
Fee and commission expense		(2,779,840)	(2,244,864)
	8	4,417,139	3,945,361
Net gains on foreign currency activities		1,882,635	1,744,526
Net gains on investment activities		77,438	112,344
Total other revenue		6,377,212	5,802,231
		16,929,427	14,937,903
Operating Expenses			
Team member costs	9	3,517,853	3,421,284
Occupancy costs		458,887	488,666
Asset tax		446,971	404,804
Other expenses	10	6,943,553	5,533,249
		11,367,264	9,848,003
Profit before Taxation		5,562,163	5,089,900
Taxation	11	(2,009,597)	(1,764,604)
Net Profit		3,552,566	3,325,296

The accompanying notes on pages 9 to 84 form an integral part of these financial statements.

Sagicor Bank Jamaica Limited
Statement of Comprehensive Income
Year ended 31 December 2023
(expressed in Jamaican dollars unless otherwise indicated)

	2023 $'000	2022 $'000
Net profit	3,552,566	3,325,296
Other comprehensive income -		
Item that will not be reclassified to profit or loss		
Re-measurements of post-employment benefits	(158,582)	315,193
Items that will be reclassified to profit or loss		
Financial assets at FVOCI -		
Net gains/(losses) on investments in debt instruments measured at FVOCI	443,512	(643,893)
Net gains on financial assets measured at FVOCI reclassified to profit or loss on disposal	(68,101)	(110,812)
	375,411	(754,705)
Total other comprehensive income, net of taxes	216,829	(439,512)
Total Comprehensive Income	3,769,395	2,885,784

The accompanying notes on pages 9 to 84 form an integral part of these financial statements.

Sagicor Bank Jamaica Limited
Statement of Financial Position
31 December 2023
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2023 $'000	2022 $'000
ASSETS			
Cash and balances due from other financial institutions	12	20,318,410	21,430,388
Cash reserves at Bank of Jamaica	13	14,467,076	12,091,812
Securities purchased under agreements to resell	15	1,033,528	4,329,193
Investment securities	16	32,761,905	32,569,239
Loans, net of provision for credit losses	17	119,062,227	108,099,490
Pledged assets	18	4,946,941	6,535,118
Due from related companies	19	15,590	33,620
Intangible assets	20	1,024,019	1,263,708
Income tax recoverable		373,077	-
Property, plant and equipment	21	1,039,587	1,251,117
Right-of-use assets	43	986,866	733,997
Post-employment benefit obigations	22	23,938	25,976
Deferred income tax assets	23	998,277	1,055,686
Other assets	24	3,192,886	3,068,064
Total Assets		200,244,327	192,487,408

The accompanying notes on pages 9 to 84 form an integral part of these financial statements.

Sagicor Bank Jamaica Limited
Statement of Financial Position (Continued)
31 December 2023
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2023 $'000	2022 $'000
LIABILITIES			
Customer deposits		160,325,329	148,552,158
Securities sold under agreements to repurchase		3,312,997	5,369,688
Borrowings, due to banks and other financial institutions	25	2,811,775	9,006,849
Due to related companies	19	17,167	16,511
Income tax payable		-	117,363
Post-employment benefit obligations	22	1,207,803	891,226
Provision	41	53,686	53,686
Lease liabilities	43	1,165,992	854,743
Other liabilities	27	4,300,070	2,545,071
Total Liabilities		173,194,819	167,407,295
SHAREHOLDERS' EQUITY			
Share capital	28	8,400,000	8,400,000
Fair value reserve	29	(615,343)	(990,754)
Loan loss reserve	30	1,022,403	769,121
Reserve fund	31	8,400,000	7,298,937
Capital reserve	32	309,465	309,465
Capital redemption reserve	33	2,061,500	2,061,500
Retained earnings reserve	34	3,088,063	3,088,063
Merger reserve	35	647,689	761,589
Retained earnings		3,735,731	3,382,192
Total Equity		27,049,508	25,080,113
Total Liabilities and Equity		200,244,327	192,487,408

Approved for issue by the Board of Directors on February 21, 2024 and signed on its behalf by:

Bruce James	Director	Christopher Zacca	Director

The accompanying notes on pages 9 to 84 form an integral part of these financial statements.

Sagicor Bank Jamaica Limited

Statement of Changes in Shareholders' Equity

Year ended 31 December 2023

(expressed in Jamaican dollars unless otherwise indicated)

	Share Capital	Fair Value Reserve (FVOCI)	Loan Loss Reserve	Reserve Fund	Capital Reserve	Capital Redemption Reserve	Retained Earnings Reserve	Retained Earnings	Merger Reserve	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 31 December 2022	8,400,000	(990,754)	769,121	7,298,937	309,465	2,061,500	3,088,063	3,382,192	761,589	25,080,113
Net profit	-	-	-	-	-	-	-	3,552,566	-	3,552,566
Net unrealised gains on FVOCI securities	-	443,512	-	-	-	-	-	-	-	443,512
Net gains recycled to revenue on disposal and maturity of FVOCI securities	-	(68,101)	-	-	-	-	-	-	-	(68,101)
Re-measurements of post-employment benefits	-	-	-	-	-	-	-	(158,582)	-	(158,582)
Other comprehensive income	-	375,411	-	-	-	-	-	(158,582)	-	216,829
Total comprehensive income for 2023	-	375,411	-	-	-	-	-	3,393,984	-	3,769,395
Dividend paid	-	-	-	-	-	-	-	(1,800,000)	-	(1,800,000)
Transfer to/(from) reserves	-	-	-	1,101,063	-	-	-	(987,163)	(113,900)	-
Adjustment between regulatory loan provisioning and IFRS	-	-	253,282	-	-	-	-	(253,282)	-	-
	-	-	253,282	1,101,063	-	-	-	(3,040,445)	(113,900)	(1,800,000)
Balance at 31 December 2023	8,400,000	(615,343)	1,022,403	8,400,000	309,465	2,061,500	3,088,063	3,735,731	647,689	27,049,508

The accompanying notes on pages 9 to 84 form an integral part of these financial statements.

Sagicor Bank Jamaica Limited

Statement of Changes in Shareholders' Equity (Continued)

Year ended 31 December 2023

(expressed in Jamaican dollars unless otherwise indicated)

	Share Capital	Fair Value Reserve (FVOCI)	Loan Loss Reserve	Reserve Fund	Capital Reserve	Capital Redemption Reserve	Retained Earnings Reserve	Retained Earnings	Merger Reserve	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 31 December 2021	8,400,000	(236,049)	1,124,585	6,023,979	309,465	2,061,500	3,088,063	3,761,681	875,489	25,408,713
Net profit	-	-	-	-	-	-	-	3,325,296	-	3,325,296
Net unrealised gains on FVOCI securities		(643,893)	-	-	-		-	-	-	(643,893)
Net gains recycled to revenue on disposal and maturity of FVOCI securities	-	(110,812)	-	-	-	-	-	-	-	(110,812)
Re-measurements of post-employment benefits	-	-	-	-	-	-	-	315,193	-	315,193
Other comprehensive income		(754,705)	-	-	-	-	-	315,193	-	(439,512)
Total comprehensive income for 2022		(754,705)	-	-	-	-	-	3,640,489	-	2,885,784
Shares to fulfil stock options	-	-	-	-	-	-	-	(14,384)	-	(14,384)
Dividend paid	-	-	-	-	-	-	-	(3,200,000)	-	(3,200,000)
Transfer to/(from) reserves (Note 31 & 35)	-	-	-	1,274,958	-	-	-	(1,161,058)	(113,900)	-
Adjustment between regulatory loan provisioning and IFRS	-	-	(355,464)	-	-	-	-	355,464	-	-
Balance at 31 December 2022	-	-	(355,464)	1,274,958	-	-	-	(4,019,978)	(113,900)	(3,214,384)
	8,400,000	(990,754)	769,121	7,298,937	309,465	2,061,500	3,088,063	3,382,192	761,589	25,080,113

The accompanying notes on pages 9 to 84 form an integral part of these financial statements.

Sagicor Bank Jamaica Limited
Statement of Cash Flows
Year ended 31 December 2023
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2023 $'000	2022 $'000
Cash Flows from Operating Activities			
Net profit		3,552,566	3,325,296
Adjustments for -			
Interest income		(14,394,360)	(11,764,445)
Interest expense	6	3,261,673	2,154,588
Income tax charge	11	2,009,597	1,764,604
Credit impairment losses	7	580,473	474,185
Amortisation of intangible assets	20	249,797	231,375
Depreciation of property, plant and equipment	21	301,457	322,247
Depreciation of right of use asset	43	202,507	162,489
Gain on disposal of property, plant and equipment		-	(670)
Gain on disposal of investments		(68,101)	(110,812)
Change in post-employment benefits		318,615	(369,766)
Change in provision for legal claim		-	(127,962)
Stock options and grants expense		-	(14,384)
Foreign exchange gains on foreign assets and liabilities		(30,682)	30,017
		(4,016,458)	(3,923,238)
Changes in operating assets and liabilities –			
Statutory reserves at Bank of Jamaica		(2,375,264)	(1,006,905)
Loans		(11,469,941)	(15,824,223)
Securities sold under agreements to resell		(421,000)	950,000
Customer deposits		11,750,468	11,994,193
Other assets		(1,666,125)	1,430,858
Other liabilities		1,907,424	(844,812)
		(6,290,896)	(7,224,127)

The accompanying notes on pages 9 to 84 form an integral part of these financial statements.

Sagicor Bank Jamaica Limited

Statement of Cash Flows (Continued)

Year ended 31 December 2023

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2023 $'000	2022 $'000
Cash Flows from Operating Activities (from page 7 continued)		(6,290,896)	(7,224,127)
Interest received		14,156,923	11,703,411
Interest paid		(3,299,986)	(1,928,851)
Taxation paid		(2,526,959)	(1,540,569)
Net cash provided by operating activities		2,039,082	1,009,864
Cash Flows from Investing Activities			
Securities purchased under agreements to resell		1,807,209	1,470,765
Purchase of investment securities		(53,734,956)	(48,961,899)
Proceeds from sale of investment securities		55,032,360	44,754,627
Purchase of intangible assets	20	(10,108)	(418,428)
Purchase of property, plant and equipment	21	(89,927)	(305,401)
Proceeds from disposal of property, plant and equipment		-	700
Net cash provided by/(used in) investing activities		3,004,578	(3,459,636)
Cash Flows from Financing Activities			
Due to related parties		18,686	(36,602)
Dividends paid		(1,800,000)	(3,200,000)
Principal element of lease payments		(144,128)	(151,779)
Proceeds from borrowings, due to banks and other financial institutions – long term		8,358,826	3,193,261
Repayments from borrowings, due to banks and other financial institutions – long term		(14,488,576)	(2,983,820)
Net cash used in financing activities		(8,055,192)	(3,178,940)
Effect of exchange rate changes on cash and cash equivalents		351,228	(624,422)
Net decrease in cash and cash equivalents		(2,660,304)	(6,253,134)
Cash and cash equivalents at beginning of year		21,190,746	27,443,880
CASH AND CASH EQUIVALENTS AT END OF YEAR	14	18,530,442	21,190,746

The accompanying notes on pages 9 to 84 form an integral part of these financial statements.

1. Identification and Principal Activities

Sagicor Bank Jamaica Limited (the Bank) is incorporated and is domiciled in Jamaica. The Bank is licensed under the Banking Act, 1992. The registered office of the Bank is located at 17 Dominica Drive, Kingston 5. The principal activities of the Bank involve retail and corporate banking services, foreign exchange trading, investment management and provision of various credit facilities including loans.

The Bank is a wholly owned subsidiary of Sagicor Group Jamaica Limited, which is incorporated and domiciled in Jamaica. Sagicor Group Jamaica Limited (the parent) is listed on the Jamaica Stock Exchange. The parent is 32.45% (2022 – 32.45%) owned by LOJ Holdings Limited which is also incorporated and domiciled in Jamaica. Sagicor Life Inc., which is incorporated in Barbados directly holds a 16.66% (2022 - 16.66%) interest in the parent. The ultimate parent company is Sagicor Financial Corporation (SFC), which is incorporated and domiciled in Bermuda. SFC has an overall interest of 49.11% (2022 – 49.11%) in the parent. The other significant shareholder of the parent is PanJam Investment Limited with a 30.22% (2022 – 30.22%) holding.

The financial statements have been prepared in accordance with the provisions of the Banking Services Act, 2014.

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These financial statements have been prepared in accordance with IFRS® Accounting Standards. IFRS Accounting Standards comprise the following authoritative literature:

• IFRS Accounting Standards
• IAS® Standards
• Interpretations developed by the IFRS Interpretations Committee (IFRIC® Interpretations) or its predecessor body, the Standing Interpretations Committee (SIC® Interpretations).

The financial statements have been prepared under the historical cost convention as modified by the revaluation of fair value through other comprehensive income ("FVOCI") and fair value through profit or loss financial assets.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a high degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

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

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

Narrow scope amendments to IAS 1, Presentation of financial statements', Practice statement 2 and IAS 8 (effective for annual periods beginning on or after 1 January 2023). The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures. The amendment aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. There was no impact to the Bank on adoption of this amendment.

Sagicor Bank Jamaica Limited
Notes to the Financial Statements
31 December 2023
(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction, (effective for annual periods beginning on or after 1 January 2023). In specified circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations—transactions for which companies recognise both an asset and a liability. The amendments clarify that the exemption does not apply and that companies are required to recognise deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations. There was impact on the Bank from the adoption of the amendment on its financial statements.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Bank
At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which are not effective at the date of the statement of financial position, and which the Bank has not early adopted. The Bank has assessed the relevance of all such new standards, interpretations and amendments, has determined that the following may be relevant to its operations, and has concluded as follows:

Amendments to IAS 1, Presentation of financial statements' on classification of liabilities, (effective for annual periods beginning on or after 1 January 2024). These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.The Bank is currently assessing the impact of future adoption of the new amendment on its financial statements.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Bank.

(b) Foreign currency translation

(i) Functional and presentation currency
Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in the Jamaican dollar currency, which is the Bank functional currency.

2. Summary of Significant Accounting Policies (Continued)

(b) Foreign currency translation (continued)

(ii) Transactions and balances
Foreign currency transactions that require settlement, in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined. These rates represent the weighted average rates at which the Bank trades in foreign currency.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity.

All foreign exchange gains and losses recognised in the income statement are presented net in the income statement within the corresponding item. Foreign exchange gains and losses on other comprehensive income items are presented in other comprehensive income within the corresponding item.

Changes in the fair value of monetary securities denominated in foreign currency classified as fair value through other comprehensive income (“FVOCI”) are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in the income statement, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial instruments, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial instruments, such as equities classified as fair value through other comprehensive income (“FVOCI”) financial assets, are included in the fair value reserve in shareholders’ equity.

(c) Interest and other expenses

Interest expense
Interest expense is recognised in the income statement on an accrual basis using the effective interest method. Amounts paid under contracts with principally financial risk are recorded directly to the income statement as an adjustment. The interest credited to these funds is recorded as an interest expense.

Loyalty expense
The Bank operates a rewards-based credit card program whereby customers earn reward points for purchases made using their credit card. The points can be redeemed for value at selected merchants who participate in the programme, once certain conditions are met. The Bank recognises revenue in the period in which the points are earned and a provision for the value of outstanding points.

2. Summary of Significant Accounting Policies (Continued)

(d) Revenue recognition

Revenue from service contracts with customers is recognised when (or as) the Bank satisfies the performance obligation of the contract. For obligations satisfied over time, revenue is recognised monthly or over some other period. For performance obligations satisfied at a point in time, revenue is recognised at that point in time.

(i) Fees and commission income

Fees and commission income are recognised on an accrual basis when the service has been provided. Fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionate basis. Asset management fees related to investment funds are recognised rateably over the period in which the service is provided. Performance linked fees or fee components are recognised when the performance criteria are fulfilled.

(ii) Net trading income

Net trading income includes all gains and losses from changes in fair value and related income or expense and dividends for financial assets and liabilities for instruments (including derivatives) at fair value through profit or loss. Net trading income also includes spreads on foreign currency trading, foreign exchange on translated assets and liabilities and net gains and loss on investment securities.

(iii) Interest income

Interest income is recognised in the income statement for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Jamaican banking regulations stipulate that, where collection of interest income is considered doubtful or payment is outstanding for 90 days or more, interest should be taken into account on the cash basis. IFRS require that when loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount. The difference between the regulatory and IFRS bases of interest recognition was assessed to be immaterial.

2. Summary of Significant Accounting Policies (Continued)

(e) Income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is recognised or the deferred income tax liability is settled.

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Income tax is calculated at an individual entity basis.

(f) Cash and cash equivalents

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 (BOJ), balances due from other banks, securities purchased under agreements to resell, items in the course of payment, securities sold under repurchased agreements and other short term liabilities held with financial institutions.

(g) Sale and repurchase agreements

Securities purchased under agreements to resell (reverse repurchase agreements) and securities sold under agreements to repurchase (repurchase agreements) are treated as collateralised financing transactions and are recorded at the amount at which the securities were acquired or sold plus accrued interest.

Securities sold subject to repurchase agreements (‘repos’) are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or re-pledge the collateral; the counterparty liability is included in amounts due to other banks, deposits from banks, other deposits or deposits due to customers, as appropriate. Securities purchased under agreements to resell (‘reverse repos’) are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

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2. Summary of Significant Accounting Policies (Continued)

(h) Financial assets

(i) Classification of financial assets

IFRS 9 introduces a principles-based approach to the classification of financial assets. Debt instruments, including hybrid contracts, are measured at fair value through profit or loss (“FVTPL”), fair value through other comprehensive income (“FVOCI”) or amortized cost based on the nature of the cash flows of these assets and the Bank’s business model. Equity instruments are measured at FVTPL, unless they are not held for trading purposes, in which case an irrevocable election can be made on initial recognition to measure them at FVOCI with no subsequent reclassification to profit or loss.

Financial assets are measured on initial recognition at fair value and are classified as and subsequently measured either at amortised cost, at FVOCI or at FVTPL. Financial assets and liabilities are recognised when the Bank becomes a party to the contractual provision 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.

Financial assets measured at amortized cost

Financial assets that are held to collect the contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest, such as most loans and advances to banks and customers and some debt securities, are measured at amortised cost. In addition, most financial liabilities are measured at amortised cost. The carrying value of these financial assets at initial recognition includes any directly attributable transactions costs.

Financial assets measured at fair value through other comprehensive income

Financial assets held for a business model that is achieved by both collecting contractual cash flows and selling and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at FVOCI. These comprise primarily debt securities.

Financial assets measured at fair value through profit and loss

Financial instruments, other than those held for trading, are classified in this category if they meet one or more of the criteria set out below and are so designated irrevocably at inception:

the use of the designation removes or significantly reduces an accounting mismatch;

when a group of financial assets and liabilities or a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Held for trading securities are acquired principally for the purpose of selling in the short-term or if they form part of a portfolio of financial assets in which there is evidence of short-term profit taking. Derivatives are also classified as held for trading unless designated as hedges. Assets held for trading are measured at fair value through profit and loss.

Sagicor Bank Jamaica Limited

Notes to the Financial Statements

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2. Summary of Significant Accounting Policies (Continued)

(h) Financial assets (continued)

(i) Classification of financial assets (continued)

Business model assessment

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

- The nature of liabilities, if any, funding a portfolio of assets;
- The nature of the market of the assets in the country of origination of a portfolio of assets;
- How the Bank intends to generate profits from holding a portfolio of assets;
- The historical and future expectations of asset sales within a portfolio.

Solely repayments of principle and interest (“SPPI”)

Where the business model is 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 principle and interest. In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial assets is classified and measured at FVTPL.

(ii) Embedded derivatives

The Bank may hold debt securities and preferred equity securities which may contain embedded derivatives. The embedded derivative of a financial asset is classified in the same manner as the host contract.

(iii) Impairment of financial assets measured at amortized cost and FVTOCI

IFRS 9 introduces an impairment model that requires the recognition of expected credit losses (“ECL”) on financial assets measured at amortised cost and FVOCI and off balance sheet loan commitments and financial guarantees which were previously provided for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

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

In the event of a significant increase in credit risk (SICR) an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument (‘lifetime ECL’). Financial assets where 12-month ECL is recognised are considered to be ‘stage 1’; financial assets which are considered to have experienced a significant increase in credit risk are in ‘stage 2’; and financial assets for which there is objective evidence of impairment so are considered to be in default or otherwise credit-impaired are in ‘stage 3’. Purchased or originated credit-impaired financial assets (“POCI”) are treated differently as set out below.

2. Summary of Significant Accounting Policies (Continued)

(h) Financial assets (continued)

(iv) Impairment of financial assets measured at amortized cost and FVTOCI (continued)

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

(v) Purchased or originated credit-impaired assets

Financial assets that are purchased or originated at a deep discount that reflects the incurred credit losses are considered to be POCI. This population includes the recognition of a new financial instrument following a renegotiation where concessions have been granted for economic or contractual reasons relating to the borrower's financial difficulty that otherwise would not have been considered. The amount of change-in-lifetime ECL is recognised in profit or loss until the POCI is derecognised, even if the lifetime ECL is less than the amount of ECL included in the estimated cash flows on initial recognition.

(vi) Definition of default

The Bank determines that a financial instrument is credit-impaired and in stage 3 by considering relevant objective evidence, primarily whether: contractual payments of either principal or interest are past due for 90 days or more; there are other indications that the borrower is unlikely to pay such as that a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition; and the financial asset is otherwise considered to be in default. If such unlikeliness to pay is not identified at an earlier stage, it is deemed to occur when an exposure is 90 days past due.

(vii) Write-off

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

(viii) The general approach to recognising and measuring ECL

The measurement of ECL reflects:

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

2. Summary of Significant Accounting Policies (Continued)

(h) Financial assets (continued)

(viii) The general approach to recognising and measuring ECL (continued)

Measurement
Expected credit losses are calculated by multiplying three main components, being the probability of default ("PD"), loss given default ("LGD") and the exposure at default ("EAD"), discounted at the original effective interest rate. Management has calculated these inputs based on the historical experience of the portfolios adjusted for the current point in time. A simplified approach to calculating the ECL is applied to contract and other receivables which do not contain a significant financing component. Generally, these receivables are due within 12 months unless there are extenuating circumstances. Under this approach, an estimate is made of the life-time ECL on initial recognition (i.e. Stage 3). For ECL provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

The PD, LGD and EAD models which support these determinations are reviewed regularly in light of differences between loss estimates and actual loss experience, but given that IFRS 9 requirements have only just been applied, there has been little time available to make these comparisons. Therefore, the underlying models and their calibration, including how they react to forward-looking economic conditions remain subject to review and refinement. This is particularly relevant for lifetime PDs, which have not been previously used in regulatory modelling and for the incorporation of 'downside scenarios' which have not generally been subject to experience gained through stress testing. The exercise of judgement in making estimations requires the use of assumptions which are highly subjective and sensitive to the risk factors, in particular to changes in economic and credit conditions across a large number of geographical areas. Many of the factors have a high degree of interdependency and there is no single factor to which loan impairment allowances as a whole are sensitive. Therefore, sensitivities are considered in relation to key portfolios which are particularly sensitive to a few factors and the results should not be further extrapolated.

The main difference between Stage 1 and Stage 2 expected credit losses is the respective PD horizon. Stage 1 estimates will use a maximum of a 12-month PD while Stage 2 estimates will use a lifetime PD. Stage 3 estimates will continue to leverage existing processes for estimating losses on impaired loans, however, these processes will be updated to reflect the requirements of IFRS 9, including the requirement to consider multiple forward-looking scenarios. An expected credit loss estimate will be produced for each individual exposure, including amounts which are subject to a more simplified model for estimating expected credit losses.

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information will require significant judgment.

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

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

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(h) Financial assets (continued)

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

Forward looking information
The estimation and application of forward-looking information will require significant judgment. PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio.

Each macroeconomic scenario used in the expected credit loss calculation will have forecasts of the relevant macroeconomic variables – including, but not limited to, unemployment rates and gross domestic product, for a three year period, subsequently reverting to long-run averages. Our estimation of expected credit losses in Stage 1 and Stage 2 will be a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios. Our base case scenario will be based on macroeconomic forecasts where available. Upside and downside scenarios will be set relative to our base case scenario based on reasonably possible alternative macroeconomic conditions.

Scenario design, including the identification of additional downside scenarios will occur on at least an annual basis and more frequently if conditions warrant. Scenarios will be probability-weighted according to our best estimate of their relative likelihood based on historical frequency and current trends and conditions. Probability weights will be updated on a quarterly basis.

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

	2023			**2022**		
	Base	**Upside**	**Downside**	**Base**	**Upside**	**Downside**
Investments portfolios	80%	10%	10%	80%	10%	10%
Lending portfolios	80%	10%	10%	80%	10%	10%

Financial assets measured at amortized cost and FVTOCI, recognize impairment gains and losses in the statement of profit and loss. Unrealised gains and losses arising from changes in fair value on FVTOCI assets are measured in other comprehensive income. When the asset is sold, the cumulative gain or loss is reclassified to investment income. Interest income, dividend income and gains and losses arising from changes in fair value are included in investment income.

(ix) Interest income and interest earned on assets measured at fair value through profit and loss. Interest income is earned based on the effective interest rate based on the carrying amount before allowances. Interest earned on assets measured at fair value through profit and loss is recognised based on the effective interest rate. For assets that are credit-impaired when purchased or originated, the carrying amount after allowances for ECL is the basis for applying the effective interest rate.

2. Summary of Significant Accounting Policies (Continued)

(h) Financial assets (continued)

Financial assets are derecognised when the right to received cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when they are extinguished, that is, when the obligation is discharged, cancelled or expires.

Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the statement of financial position as 'Pledged assets', if the transferee has the right to sell or repledge them.

(i) Leases

The Bank leases various office spaces. Rental contracts are typically made for fixed periods of twelve months to 10 years, but may have extension options as described in (v) below.

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

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

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

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

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Bank:

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

2. Summary of Significant Accounting Policies (Continued)

(i) Leases (continued)

The Bank is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

(i) the amount of the initial measurement of lease liability
(ii) any lease payments made at or before the commencement date less any lease incentives received
(iii) any initial direct costs, and
(iv) restoration costs.

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

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

Extension and termination options

Extension and termination options are included in a number of property leases across the Bank. These are used to maximise operational flexibility in terms of managing the assets used in the Bank's operations. The majority of extension and termination options held are exercisable only by the Bank and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Bank becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

(j) Intangible assets

Computer software

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

2. Summary of Significant Accounting Policies (Continued)

(j) Intangible assets (continued)

Customer relationships

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

(k) Offsetting of financial instruments

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

The majority of the offsetting applied by the Bank relates to repurchase and reserve repurchase agreements.

(l) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation is calculated on the straight-line basis at annual rates that will write off the carrying value of each asset over the period of its expected useful life. Estimated useful lives are as follows:

Leasehold improvements	10 years
Office equipment	7 - 10 years
Furniture and fixtures	7 - 10 years
Motor vehicles	5 years
Computer equipment	2 - 5 years

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset’s fair value less costs to sell and value in use.

Gains or losses on disposal of property, plant and equipment are determined by reference to their carrying amount. These are included in other operating expenses in the income statement.

Repairs and renewals are charged to the income statement when the expenditure is incurred.

2. Summary of Significant Accounting Policies (Continued)

(m) Impairment of assets

(i) Assets carried at amortised cost – loans and advances and provisions for credit losses

Loans and advances and provisions for credit losses

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

Provision for credit losses determined under the requirements of IFRS

The Bank continuously monitors loans or groups of loans for indicators of impairment. In the event that indicators are present, the loans or groups of loans are tested for impairment. A provision for credit losses is established if there is objective evidence of impairment. A loan or group of loans is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan (a 'loss event') and that loss event has reduced the estimated future cash flows of the loan and the amount of the reduction can be reliably estimated. The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

(i) significant financial difficulty of the obligor;
(ii) default or delinquency in interest or principal payments;
(iii) having to grant the borrower a concession that would not otherwise be considered due to the borrower's financial difficulty;
(iv) the probability that the borrower will enter bankruptcy or other financial reorganisation; or
(v) observable data indicating that there is a measurable decrease in the estimated future cash flows from the loan portfolio since the initial recognition of the loans, although the decrease cannot yet be identified with the individual loan in the portfolio, including:
   a) adverse changes in the payment status of borrowers in the portfolio; and
   b) national or local economic conditions that correlate with defaults on the loan portfolio.

The Bank first assesses whether objective evidence of impairment exists individually for loans that are individually significant, and individually or collectively for loans that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed loan, whether significant or not, it includes the loan in a group of loans with similar credit risk characteristics and collectively assesses them for impairment. Loans that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the carrying amount of the loan and the present value of estimated future cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loan. For accounting purposes, the carrying amount of the loan is reduced through the use of a provision for credit losses account and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

For the purposes of a collective evaluation of impairment, loans are grouped on the basis of similar credit risk characteristics (that is, on the basis of the Bank's grading process that considers loan type, industry, collateral type and past-due status). Those characteristics are relevant to the estimation of future cash flows for groups of such loans by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the loans being evaluated.

2. Summary of Significant Accounting Policies (Continued)

(m) Impairment of assets (continued)

(i) Assets carried at amortised cost loans and advances and provisions for credit losses (continued)

Provision for credit losses determined under the requirements of IFRS (continued)
Future cash flows in a group of loans that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the loans in the group. Losses over the preceding 12 months are used as a baseline to determine historical loss experience for loans with credit risk characteristics similar to those in the group. This historical loss experience is then adjusted, if necessary, to reflect broader economic trends over the most recent 24-month period with a 36-month look back period used on the highest risk portfolios. Finally, applicable adjustments are made on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of loans should reflect and be directionally consistent with changes in related observable data and our assessment of changes in the economy from period to period (for example, changes in unemployment levels, property and motor vehicle prices, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

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

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

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

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

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2. Summary of Significant Accounting Policies (Continued)

(m) Impairment of assets (continued)

(i) Assets carried at amortised cost loans and advances and provisions for credit losses (continued)

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

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

In respect of loans that are considered sub-standard for reasons other than being non-performing, a special provision is established for the greater of 1% of the amounts outstanding or 20% of the estimated net loss.

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

(ii) Renegotiated loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan’s original effective interest rate.

(iii) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2. Summary of Significant Accounting Policies (Continued)

(n) Employee benefits

(i) Pension obligations
The Bank participates in three retirement plans, the assets of which are generally held in separate trustee-administered funds. The pension plans are funded by payments from employees and by the Bank, taking into account the recommendations of qualified actuaries. The Bank has a defined benefit and two defined contribution plan.

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

The asset or liability recognised in the statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets, together with adjustments for past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

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

Past-service costs are recognised immediately in the income statement (team member costs).

For the defined contribution plans, the Bank pays contributions to privately administered pension insurance plans on a contractual basis. The Bank has no further payment obligations once the contributions have been paid. The contributions are charged to the income statement in the period to which they relate.

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

(iii) Termination benefits
Termination benefits are payable when employment is terminated by the Bank before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognises termination benefits at the earlier of the following dates: (a) when the Bank can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2. Summary of Significant Accounting Policies (Continued)

(n) Employee benefits (continued)

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

(v) Productivity bonus plan
The Bank recognises a liability and an expense for productivity bonuses as profit-sharing, paid to employees based on a formula that takes into consideration the profit attributable of its parent Bank. The Bank recognises a provision where contractually obliged or where past practice has created a constructive obligation.

(vi) Share options
The Bank participates in a Group share based arrangement plan, in which, its executives are awarded stock options over the shares of its immediate parent, Sagicor Group Jamaica Limited (SGJ) whose shares are listed on the Jamaica Stock Exchange. The stock option plan is a group plan, that is:

- The plan is designed and implemented by SGJ;
- All terms and conditions of the plan are set by and can only be changed by SGJ;
- The valuation of the options are done by SGJ;
- SGJ has the obligation to settle all share-based payment transactions;
- All calculation and awards of options are done by SGJ and ;
- All options are on SGJ's shares.

SGJ's shares are held in a Trust, that is controlled and consolidated by SGJ for the stock option plan. The fair value of the options is done by the SGJ using the Black-Scholes model and amortise over the vesting period of the options, that is, four years, which is consistent with the stock option plan. At the group level, the share based payments transactions are accounted as equity-settled award as the Group is obligated to settle the liability with its own shares. The transaction is treated at the subsidiaries' level also as equity-settled as SGJ awards its own shares to the subsidiaries' executives and request a cash recharge to the subsidiaries for the shares that its acquire in the open market. In substance, this transaction is a funding arrangements between SGJ and its subsidiaries. As SGJ awards stock options over its own equity to the executives of its subsidiaries (equity-settled share based payment), the subsidiaries booked the debit to their income statement; and the credit to equity, as a capital contribution over the vesting period of the share-based plan.

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each statement of financial position date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to over the remaining vesting period. The proceeds received net of any directly attributable transaction costs, plus the fair value of the options is credited to share capital when the options are exercised and shares issued.

2. Summary of Significant Accounting Policies (Continued)

(n) Employee benefits (continued)

(vi) Share options (continued)
If the terms of an equity-settled award are modified, at a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

(vii) Share grants
The market value of the shares issued at grant date is recognised as an expense when granted.

(o) Share capital

Ordinary shares are classified as equity.

(p) Provisions

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

(q) Borrowings

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

(r) Deposits

Deposits are recognised initially at the nominal amount when funds are received. Deposits are subsequently stated at amortised cost using the effective interest method.

(s) Financial instruments

Financial instruments carried on the statement of financial position include cash resources, securities purchased under agreements to resell, loans, lease receivables, investment securities, derivatives, deposits by customers, securities sold under agreements to repurchase, and borrowings, due to banks and other financial institutions.

The fair values of the Bank’s financial instruments are discussed in Note 39.

2. Summary of Significant Accounting Policies (Continued)

(t) Acceptance, guarantees, indemnities, letters of credit and undertakings

Policies under IFRS 9
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 debtors 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 other 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:
(i) The amount of the loss allowance; and
(ii) The premium received on initial recognition less income recognized in accordance with the principles of IFRS 15

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

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

Where the Bank's obligations under acceptances, guarantees, indemnities and letters of credit and undertakings are not considered to be contingent, the amounts are reported as a liability in the statement of financial position. There are equal and offsetting claims against customers in the event of a call on these commitments, which are reported as an asset. Where the Bank's obligations are considered to be contingent, the amounts are disclosed in Note 41.

Assets carried at amortised cost loans and advances and provisions for credit losses

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

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

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2. Summary of Significant Accounting Policies (Continued)

(u) Financial liabilities

The Bank's financial liabilities comprise primarily amounts due to other banks, customer deposits, repurchase agreements, and other borrowed funds.

(i) Classification of financial assets

Financial liabilities are measured at initial recognition at fair value and are classified as and subsequently measured either at amortised cost, or at fair value through income (FVTPL). Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The financial liabilities described under the unit linked fair value model (see section (a) above) are classified and measured at FVTPL as the Bank is obligated to provide investment returns to the unit holder in direct proportion to the investment returns on a specific portfolio of assets, which are also carried at FVTPL. Derivative financial liabilities are carried at FVTPL. All other financial liabilities are carried at amortised cost. It is noted that the financial liabilities measured at FVTPL do not have a cumulative own credit adjustment gain or loss.

(ii) Re-classified balances

The Bank reclassifies debt instruments when and only where its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Financial liability balances which were accounted for at amortised cost under IAS 39 continue to be so accounted for under IFRS 9 and financial liability balances which were accounted for at fair value through income under IAS 39 are now accounted at FVTPL on the adoption of IFRS 9.

(iii) Modification of loans

The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers and debt instruments. When this happens, the Bank assesses whether or not the new terms are substantially different to the original terms. The Bank does this by considering, among others, the following factors:

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

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

2. Summary of Significant Accounting Policies (Continued)

(u) Financial liabilities (continued)

(iv) Modification of loans (continued)

During the ordinary course of business, the Bank issues investment contracts or otherwise assumes financial liabilities that expose the Bank to financial risk. The recognition and measurement of the Bank's principal types of financial liabilities are disclosed in 2 and in the following paragraphs.

Deposit liabilities
Deposits are recognised initially at fair value and are subsequently stated at amortised cost using the effective yield method.

Loans and other debts obligations
Loans and other debts obligations are recognised initially at fair value, being their issue proceeds, net of transaction costs incurred. Subsequently, obligations are stated at amortised cost and any difference net proceeds and the redemption value is recognised in the income statement over the period of the loan obligations using the effective yield method.

Obligations undertaken for the purposes of financing operations and capital support are classified as noted or loans payable and associated cost classified as finance costs. Loan obligations undertaken for the purposes of providing funds for on-lending, leasing or portfolio investments are classified as deposit and security liabilities and the associated cost is included in interest expense.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the income statement as interest expense.

(v) Fiduciary activities

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

3. Financial Risk Management

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance.

The Bank's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Directors is ultimately responsible for the establishment and oversight of the Bank's risk management framework. The Board has established working groups for managing and monitoring risks, as follows:

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(i) Risk Management Committee
The Risk Management Committee is responsible for the development of credit and investment policies and standards that conform to applicable law, regulations and corporate policies; approving credit proposal requests; reviewing and approving exceptions to core credit and investment policies that may represent unusual risk; and ensuring that aggregate credit risk exposure are within the Bank's risk taking capacity. All credit facilities require the approval of at least 2 members of this Committee. This Committee is also responsible for formulating and monitoring investment portfolios and investment strategies for the Bank. In addition, this Committee is responsible for approval and monitoring of appropriate trading limits, reports and compliance controls to ensure that the mandate is properly followed. The Committee's decisions receive final ratification at Board Meetings.

(ii) Audit and Compliance Committee
The Audit and Compliance Committee oversees how management monitors compliance with the Bank's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Bank. The Audit and Compliance Committee is assisted in its oversight role by the Internal Audit Department and the Risk Management Committee. Internal Audit Department undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Compliance Committee. The Risk Management Committee ensures adherence to internal policies and procedures, and regulatory rules and guidelines.

(iii) The Treasury Division
The Treasury Division is responsible for managing the Bank's financial assets and liabilities and the overall financial structure. It is also primarily responsible for managing and maintaining appropriate funding and liquidity of the Bank.

The most important types of risks faced by the Bank are credit risk, liquidity risk, market risk and operational risk. Market risk includes currency risk, interest rate and other price risk.

(a) Credit risk
Refer to Note 16 (a) and 17 (a) for tables showing movement in credit risk exposure and loss allowance of financial investments subject to impairment.

Loss allowances
The most significant period-end assumptions used for the ECL were as follows:

Economic variable assumptions

		As at December 31, 2023			**As at December 31, 2022**		
		2024	**2025**	**2026**	**2023**	**2024**	**2025**
S&P 500 Financial	Base	$47.06	$51.64	$51.64	$39.66	$47.06	$51.64
	Upside	$75.56	$82.91	$82.91	$63.68	$75.56	$82.91
	Downside	$30.74	$33.73	$33.73	$25.90	$30.74	$33.73
World GDP	Base	3.20%	3.40%	3.40%	2.7%	3.2%	3.4%
	Upside	4.80%	5.10%	5.10%	4.1%	4.8%	5.1%
	Downside	2.30%	2.40%	2.40%	1.9%	2.3%	2.4%
WTI Oil Prices/10	Base	$7.25	$6.86	$6.86	$7.73	$7.25	$6.86
	Upside	$9.35	$9.35	$9.35	$9.35	$9.35	$9.35
	Downside	$2.95	$2.79	$2.79	$3.14	$2.95	$2.79

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loss allowance (continued)

Sagicor's lending operations in Jamaica have limited readily available information regarding economic forecasts. Management has examined the information within the market and selected economic drivers that have the best correlation to the portfolio's performance. Economic state is assigned to reflect the driver's impact on ECL.

Outlook for lending at December 2023

	2023		2022	
Jamaica	**Expected state for the next 12 months**		**Expected state for the next 12 months**	
Interest rate	Base	Stable	Base	Stable
	Upside	Positive	Upside	Positive
	Downside	Negative	Downside	Stable
Unemployment rate	Base	Stable	Base	Stable
	Upside	Positive	Upside	Stable
	Downside	Negative	Downside	Negative

SICR and IAS 1 critical estimated disclosure – 31 December 2023

SICR criteria *	Actual threshold applied	Change in threshold	ECL impact of Change in threshold
Investments	2-notch downgrade since origination	1-notch downgrade since origination	20,450

* See note 4.iv for full criteria for staging. The staging for lending products are primarily based on days past due with 30-day used as backstop, thus sensitivity analysis is not performed.

Loss Given Default	Actual value applied	Change in value	ECL impact of Increase in value	ECL impact of Decrease in value
Investments - Corporate Debts	52%	(- /+ 5) %	5,073	(5,073)
Investments - Sovereign Debts (excluding Government of Barbados and Government of Jamaica)	35%	(- /+ 5) %	830	(830)
Investments - Sovereign Debts (Government of Barbados)	36%	(- /+ 5) %	-	-
Investments - Sovereign Debts (Government of Jamaica)	15%	(- /+ 5) %	2,069	(2,069)

Weighting for downside scenario	Actual value applied	Change in value	ECL impact of Increase in value	ECL impact of Decrease in value
Investments - excluding Government of Barbados	10% (80% for base scenario and 10% for downside scenario)	(- /+ 5) % - keep the weighting for base scenario and adjust the weighting for upside scenario accordingly	3,099	(3,099)
Lending products	25% (65% for base scenario and 10% for upside scenario)	(- /+ 5) % - keep the weighting for base scenario and adjust the weighting for upside scenario accordingly	13,333	(14,286)

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3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loss allowances (continued)

SICR and IAS 1 critical estimated disclosure - 31 December 2022

SICR criteria *	Actual threshold applied	Change in threshold	ECL impact of Change in threshold
Investments	2-notch downgrade since origination	1-notch downgrade since origination	-

* See note 4.iv for full criteria for staging. The staging for lending products are primarily based on days past due with 30-day used as backstop, thus sensitivity analysis is not performed.

Loss Given Default	Actual value applied	Change in value	ECL impact of Increase in value	ECL impact of Decrease in value
Investments - Corporate Debts	52%	(- /+ 5) %	2,506	(2,506)
Investments - Sovereign Debts (excluding Government of Barbados and Government of Jamaica)	35%	(- /+ 5) %	970	(970)
Investments - Sovereign Debts (Government of Barbados)	36%	(- /+ 5) %	-	-
Investments - Sovereign Debts (Government of Jamaica)	15%	(- /+ 5) %	11,003	(11,003)

Weighting for downside scenario	Actual value applied	Change in value	ECL impact of Increase in value	ECL impact of Decrease in value
Investments - excluding Government of Barbados	10% (80% for base scenario and 10% for downside scenario)	(- /+ 5) % - keep the weighting for base scenario and adjust the weighting for upside scenario accordingly	3,571	(3,571)
Lending products	15% (75% for base scenario and 10% for upside scenario)	(- /+ 5) % - keep the weighting for base scenario and adjust the weighting for upside scenario accordingly	14,771	(9,435)

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3. Financial Risk Management (Continued)

(a) Credit risk (continued)

The Bank takes on exposure 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; management therefore carefully monitors its exposure to credit risk. Credit exposures arise principally in lending and investment activities. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty or groups of related counterparties and to geographical and industry segments.

Credit-related commitment risks arise from guarantees that 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. They expose the Bank to similar risks to loans and the same control policies and processes mitigate these.

Credit review process

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

(i) Loans

The Bank assesses the probability of default of individual counterparties using internal ratings. Clients of the Bank are segmented into five rating classes. The Bank's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class.

The Bank's internal rating scale:

Rating grades	**Description of the grade**
1	Standard
2	Potential problem credit
3	Sub-standard
4	Doubtful
5	Loss

(ii) Investments

The Bank limits its exposure to credit risk by investing in marketable securities, with counterparties that have acceptable credit quality and Government of Jamaica securities. As a result of the Central Securities Depository (CSD), all domestic Government of Jamaica securities have been dematerialised which has significantly reduced the settlement risk. The credit exposure is managed by establishing exposure limits after an internal analysis and approval. Actual exposures against limits are monitored frequently. It is also the Bank's policy to obtain control or take possession of securities purchased under agreements to resell. Management assesses the market value of the underlying securities that collaterise the transactions and takes the appropriate margins required. Management actively seeks to transact with counterparties that demonstrate an ability to meet their obligations.

3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Collateral and other credit enhancements

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

The main types of collateral obtained are as follows:
Loans – Cash and other near cash securities, mortgages over commercial and residential properties, charges over general business assets such as premises, equipment, inventory, accounts receivable, stocks and other securities and motor vehicles. Fair value of properties held as collateral is mainly based on obtained valuations from third parties.

Reverse repurchase transactions – cash equivalents or Government of Jamaica securities.

The Bank also obtains guarantees from parent companies for loans to their subsidiaries and personal guarantees for loans to private companies.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral held.

Commitments and guarantees

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Bank.

Impairment

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades or infringement of the original terms of the contract.

The Bank addresses impairment assessment by reviewing all loans and leases with risk ratings of 3 and above.

Individually assessed allowances are provided for financial assets based on a review conducted at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance-sheet date on a case-by-case basis, and are applied to all accounts. The assessment normally encompasses collateral held and the anticipated receipts for that individual account.

The internal rating systems described above focus more on credit-quality mapping from the inception of lending activities. In contrast, impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the statement of financial position date based on objective evidence of impairment. Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements are usually lower than the amount determined from the expected loss model that is used for internal operational management and banking regulation purposes.

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3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Impairment (continued)
The internal rating tool assists management to determine whether objective evidence of impairment exists, based on the following criteria set out by the Bank:
- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (eg. equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral.

The impairment provision shown in the statement of financial position at year-end is derived from the internal rating grades of 3 and above. However, the majority of the impairment provision comes from the last rating class (loss).

Refer to Note 18 (a) for table showing the Bank's gross loans and leases (excluding interest receivable) and the associated impairment provision for each internal rating class:

Maximum exposure to credit risk before collateral held or other credit enhancements

	Maximum exposure	
	2023	**2022**
	$'000	**$'000**
Credit risk exposures relating to on-statement of financial position assets are as follows:		
Cash and bank balances due from other financial institutions (excluding cash on hand)	15,737,685	15,522,911
Cash reserve at Bank of Jamaica	14,467,076	12,091,812
Securities purchased under agreements to resell	1,033,528	4,329,193
Investment securities	32,761,905	32,569,239
Loans, net of provision for credit losses	119,062,227	108,099,490
Pledged assets	4,946,941	6,535,118
Due from related companies	15,590	33,620
Other assets	1,625,035	2,281,194
	189,649,987	181,462,577
Credit risk exposures relating to off-statement of financial position items are as follows:		
Loan commitments	14,043,591	14,175,325
Guarantees and letters of credit	6,265,169	5,811,453
Operating lease commitments	33,246	24,875
	20,342,006	20,011,653

The above table represents a worst case scenario of credit risk exposure to the Bank at 31 December 2023 and 2022, without taking account of any collateral held or other credit enhancements. The exposures set out above are based on carrying amounts as reported in the statement of financial position.

Refer to Note 17 (a) for credit quality of loans.

3. Financial Risk Management (Continued)

(b) 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 the failure to meet obligations to repay depositors and fulfil commitments to lend.

The Bank is exposed to daily calls on its available cash resources from overnight placement of funds, maturing placement of funds, loan draw-downs and guarantees. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of investment of maturing funds can be predicted with a high level of certainty. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

Liquidity risk management process

The Bank's liquidity management process, as carried out within the Bank and monitored by the Treasury Division, includes:

(i) Monitoring future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure funding if required;

(ii) Maintaining assets than can readily be liquidated (T-Bills, BOJ CDs and secured secondary market repos) as protection against any unforeseen interruption to cash flow;

(iii) Maintaining committed lines of credit;

(iv) Optimising cash returns on investment;

(v) Monitoring statement of financial position liquidity ratios against internal and regulatory requirements. The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities; and

(vi) Managing the concentration and profile of debt maturities.

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

The matching 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 companies ever to be completely matched since business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of loss.

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

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3. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Financial assets and liabilities cash flows

The tables below present the contractual maturities of undiscounted cash flows (both interest and principal cash flows) of the Bank's assets and liabilities based on the remaining period to maturity.

	Within 1 Month	2 to 3 Months	4 to 12 Months	2 to 5 Years	Over 5 Years	Total
	$'000	$'000	$'000	$'000	$'000	$'000
At 31 December 2023:						
Cash and balances due from other financial institutions	20,318,410	-	-	-	-	20,318,410
Cash reserves at Bank of Jamaica	-	-	-	-	14,467,076	14,467,076
Securities purchased under agreements to resell	156,550	645,529	247,022	-	-	1,049,101
Investment securities and pledged assets	6,949,794	4,644,767	5,564,388	12,930,694	19,721,509	49,811,152
Loans, net of provision for credit losses	22,468,746	9,411,932	25,269,243	53,728,732	21,148,785	132,027,438
Mortgages, net of provision for credit losses	160,671	322,480	1,507,718	8,176,932	27,039,208	37,207,009
Other	1,625,035	-	-	-	-	1,625,035
Financial assets	51,679,206	15,024,708	32,588,371	74,836,358	82,376,578	256,505,221
Customer deposits	131,197,170	14,279,275	16,835,255	504,368	20,670	162,836,738
Securities sold under agreements to repurchase	2,864,915	175,242	291,201	-	-	3,331,358
Borrowings, due to banks and other financial institutions	1,027,531	53,796	231,003	842,495	1,197,797	3,352,622
Other	4,236,681	-	-	-	-	4,236,681
Financial liabilities	139,326,297	14,508,313	17,357,459	1,346,863	1,218,467	173,757,399
Net Liquidity Gap	(87,647,091)	516,395	15,230,912	73,489,495	81,158,111	82,747,822
Cumulative Liquidity Gap	(87,647,091)	(87,130,696)	(71,899,784)	1,589,711	82,747,822	-

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3. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Financial assets and liabilities cash flows (continued)

	Within 1 Month	2 to 3 Months	4 to 12 Months	2 to 5 Years	Over 5 Years	Total
	$'000	$'000	$'000	$'000	$'000	$'000
At 31 December 2022:						
Cash and balances due from other financial institutions	20,367,087	1,063,301	-	-	-	21,430,388
Cash reserves at Bank of Jamaica	-	-	-	-	12,091,812	12,091,812
Securities purchased under agreements to resell	2,076,810	2,272,995	-	-	-	4,349,805
Investment securities and pledged assets	3,542,013	6,117,403	8,070,084	12,058,550	16,426,048	46,214,098
Loans, net of provision for credit losses	18,577,524	7,418,484	20,912,669	52,041,419	21,379,254	120,329,350
Mortgages, net of provision for credit losses	134,495	264,614	1,271,149	6,789,332	22,629,631	31,089,221
Other	2,281,194	-	-	-	-	2,281,194
Financial assets	46,979,123	17,136,797	30,253,902	70,889,301	72,526,745	237,785,868
Customer deposits	121,395,724	12,054,562	16,001,130	335,245	375	149,787,036
Securities sold under agreements to repurchase	4,398,391	-	1,004,653	-	-	5,403,044
Borrowings, due to banks and other financial institutions	1,031,370	60,341	7,253,134	957,720	1,187,661	10,490,226
Other	2,422,954	-	-	-	-	2,422,954
Financial liabilities	129,248,439	12,114,903	24,258,917	1,292,965	1,188,036	168,103,260
Net Liquidity Gap	(82,269,316)	5,021,894	5,994,985	69,596,336	71,338,709	69,682,608
Cumulative Liquidity Gap	(82,269,316)	(77,247,422)	(71,252,437)	(1,656,101)	69,682,608	-

Source of funding available to meet all of the liabilities and to cover outstanding loan commitments includes cash, central bank balances, items in the course of collection, investments, loans and advances to banks and loans and advances to customers. In the normal course of business, a proportion of customer loans will be extended beyond their due dates. The Bank is also able to meet unexpected net cash outflows by selling securities and accessing additional funding sources from local and overseas financial institutions.

(c) Market risk

The Bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rate, credit spreads, foreign exchange rates and equity prices. Market risk is monitored by the Risk Management Committee which carries out extensive research and monitors the price movement of financial assets on the local and international markets. Market risk exposures are measured using duration analysis, sensitivity analysis and historical value-at-risk.

There has been no change to the Bank's exposure to market risks or the manner in which it manages and measures the risk.

3. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk

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

Foreign exchange risk occurs when the Bank takes on open position in a currency. To control this exchange risk the Risk Management Committee has approved limits for net open position in each currency for both intra-day and overnight position. This limit may vary from time to time as determined by Risk Management Committee assessment of the volatility in exchange rates.

The Bank also has transactional currency exposure. This exposure arises from having financial assets in currencies other than those in which financial liabilities are expected to settle. The Bank ensures that its net exposure is kept at approved levels.

The tables below summarise the Bank's exposure to foreign currency exchange rate risk at 31 December.

	JM$	US$	GBP	CAN$	Other	Total
	J$'000	J$'000	J$'000	J$'000	J$'000	J$'000
At 31 December 2023						
Cash and balances due from other financial institutions	10,135,573	7,964,175	1,355,963	783,526	79,173	20,318,410
Cash reserves at Bank of Jamaica	5,771,926	8,392,645	199,380	103,125	-	14,467,076
Securities purchased under agreements to resell	-	1,013,731	19,797	-	-	1,033,528
Investment securities and pledged assets	14,526,423	22,892,652	-	289,771	-	37,708,846
Loans, net of provision for credit losses	98,516,440	20,545,787	-	-	-	119,062,227
Other	1,249,932	351,942	2,360	20,801	-	1,625,035
Total assets	130,200,294	61,160,932	1,577,500	1,197,223	79,173	194,215,122
Customer deposits	97,305,720	60,727,300	1,347,867	870,251	74,191	160,325,329
Securities sold under agreements to repurchase	3,312,997	-	-	-	-	3,312,997
Borrowings, due to banks and other financial institutions	2,811,775	-	-	-	-	2,811,775
Other liabilities	3,295,963	926,781	9,754	3,164	1,019	4,236,681
Total liabilities	106,726,455	61,654,081	1,357,621	873,415	75,210	170,686,782
Net statement of financial position	23,473,839	(493,149)	219,879	323,808	3,963	23,528,340
Credit commitments	13,705,446	6.636,560	-	-	-	20,342,006

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3. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Concentrations of currency risk (continued)

	JM$	US$	GBP	CAN$	Other	Total
	J$'000	J$'000	J$'000	J$'000	J$'000	J$'000
At 31 December 2022						
Cash and balances due from other financial institutions	8,038,720	11,412,582	1,496,346	347,002	135,738	21,430,388
Cash reserves at Bank of Jamaica	4,057,354	7,749,817	193,056	91,585	-	12,091,812
Securities purchased under agreements to resell	-	4,329,193	-	-	-	4,329,193
Investment securities and pledged assets	14,237,741	24,598,879	-	267,737	-	39,104,357
Loans, net of provision for credit losses	88,285,040	19,814,450	-	-	-	108,099,490
Other	1,451,628	819,567	2,381	7,578	40	2,281,194
Total assets	116,070,483	68,724,488	1,691,783	713,902	135,778	187,336,434
Customer deposits	83,456,677	62,903,540	1,452,651	694,831	44,460	148,552,159
Borrowings, due to banks and other financial institutions	5,369,688	-	-	-	-	5,369,688
Lease liability	2,900,798	6,106,051	-	-	-	9,006,849
Other liabilities	1,817,473	592,616	9,017	2,902	946	2,422,954
Total liabilities	93,544,636	69,602,207	1,461,668	697,733	45,406	165,351,649
Net statement of financial position	22.525,847	(877,719)	230,115	16,169	90,372	21,984,785
Credit commitments	14,090,888	5,920,765	-	-	-	20,011,653

Foreign currency sensitivity

The following tables indicate the currencies to which the Bank had significant exposure on its monetary assets and liabilities and its forecast cash flows. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a % change in foreign currency rates. The sensitivity analysis on pre-tax profit is based on foreign currency denominated monetary items at the year end. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variable, variables had to be on an individual basis.

	Change in Currency Rate	Effect on Pre-tax Profit	Change in Currency Rate	Effect on Pre-tax Profit
	2023	2023	2022	2022
	%	$'000	%	$'000
Currency:				
USD	+4	(21,011)	+4	(35,922)
GBP	+4	8,818	+4	9,205
EUR	+4	159	+4	3,613
CDN	+4	12,953	+4	645
USD	-1	5,253	-1	8,980
GBP	-1	(2,205)	-1	(2,301)
EUR	-1	(40)	-1	(903)
CDN	-1	(3,238)	-1	(161)

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3. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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

The Bank's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities. Macaulay and Effective Duration analysis is also conducted on the financial assets of the Bank to determine the impact of changes in interest rates. Macaulay duration is the weighted average term to maturity of a bond's cash flows, while Effective duration is the change in the value of the portfolio in response to a change in interest rates. The Duration Gap is also assessed. This is the difference between the Macaulay duration of assets and the duration of liabilities. It measures how well the average timings of cash inflows are matched to cash outflows.

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

	Within 1 Month	2 to 3 Months	4 to 12 Months	2 to 5 Years	Over 5 Years	Non-Interest Bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 31 December 2023:							
Cash and balances due from other financial institutions	6,739,932	-	-	-	-	13,578,478	20,318,410
Cash reserves at Bank of Jamaica	-	-	-	-	-	14,467,076	14,467,076
Securities purchased under agreements to resell	154,268	636,773	231,402	-	-	11,085	1,033,528
Investment securities and pledged assets	6,729,635	4,430,024	4,364,061	8,893,639	12,529,695	761,792	37,708,846
Loans, net of provision for credit losses	44,299,594	73,437,384	180,829	464,614	207,693	472,113	119,062,227
Other	-	-	-	-	-	1,625,035	1,625,035
Total assets	57,923,429	78,504,181	4,776,292	9,358,253	12,737,388	30,915,579	194,215,122
Liabilities							
Customer deposits	130,701,484	13,103,249	15,566,974	429,811	11,455	512,356	160,325,329
Securities sold under agreements to repurchase	2,853,000	160,000	266,000	-	-	33,997	3,312,997
Borrowings, due to banks and other financial institutions	1,021,834	42,602	182,392	637,934	925,258	1,755	2,811,775
Lease liability	18,861	35,078	161,645	882,757	67,651	-	1,165,992
Other	-	-	-	-	-	4,236,681	4,236,681
Total liabilities	134,595,179	13,340,929	16,177,011	1,950,502	1,004,364	4,784,789	171,852,774
Total interest repricing	(76,671,750)	65,163,252	(11,400,719)	7,407,751	11,733,024	26,130,790	22,362,348
Cumulative interest repricing gap	(76,671,750)	(11,508,498)	(22,909,217)	(15,501,466)	(3,768,442)	22,362,348	

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3. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

	Within 1 Month $'000	2 to 3 Months $'000	4 to 12 Months $'000	2 to 5 Years $'000	Over 5 Years $'000	Non-Interest Bearing $'000	Total $'000
At 31 December 2022:							
Cash and balances due from other financial institutions	6,679,111	-	-	-	-	14,751,277	21,430,388
Cash reserves at Bank of Jamaica	-	-	-	-	-	12,091,812	12,091,812
Securities purchased under agreements to resell	2,053,712	2,250,021	-	-	-	25,460	4,329,193
Investment securities and pledged assets	3,496,176	6,047,660	7,166,304	9,008,389	12,977,118	408,710	39,104,357
Loans, net of provision for credit losses	39,413,719	67,221,802	195,441	585,312	286,995	396,221	108,099,490
Other	-	-	-	-	-	2,281,194	2,281,194
Total assets	51,642,718	75,519,483	7,361,745	9,593,701	13,264,113	29,954,673	187,336,433
Liabilities							
Customer deposits	121,493,948	11,418,715	14,847,910	301,631	300	489,654	148,552,158
Securities sold under agreements to repurchase	4,390,000	-	950,000	-	-	29,688	5,369,688
Borrowings, due to banks and other financial institutions	1,023,981	47,684	196,529	6,766,649	904,926	67,080	9,006,849
Lease liability	11,390	20,275	86,704	509,417	226,957	-	854,743
Other	-	-	-	-	-	2,422,954	2,422,954
Total liabilities	126,919,319	11,486,674	16,081,143	7,577,697	1,132,183	3,009,376	166,206,392
Total interest repricing	(75,276,601)	64,032,809	(8,719,398)	2,016,004	12,131,930	26,945,297	21,130,041
Cumulative interest repricing gap	(75,276,601)	(11,243,792)	(19,663,190)	(17,947,186)	(5,815,256)	(21,130,041)	-

Interest rate sensitivity

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

The sensitivity of the profit or loss is the effect of the assumed changes in interest rates on pre-tax profit or loss based on floating rate debt securities and financial liabilities. The sensitivity of shareholders' equity is calculated by revaluing fixed rate available-for-sale financial assets for the 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.

	Effect on Pre-tax Profit 2023 $'000	Effect on Other components of Equity 2023 $'000	Effect on Pre-tax Profit 2022 $'000	Effect on Other components of Equity 2022 $'000
Change in basis points:				
J$-25, US$-25 (2022 J$ - 50, US$ -50)	402,327	232,689	788,848	398,819
J$+25, US$+25 (2022 - J$ +100, US$ +100)	(403,193)	(218,143)	(1,581,853)	(730,660)

3. Financial Risk Management (Continued)

(d) Capital management

The Bank is required to maintain adequate quantity and quality of capital to support its current and prospective risk exposures, and meet regulatory requirements. Bank capital is critical to its going concern and is therefore the cornerstone of its solvency. The quantity and quality of capital must be sound to absorb unexpected bank losses.

The Bank's objectives when managing its capital are:

i. To comply with the capital requirements set by the Regulators of the financial market in Jamaica.
ii. To provide adequate returns to shareholders commensurate with the level of risk undertaken and adequate benefits to staff and other stakeholders.
iii. To safeguard the Bank's ability to meet its obligations to depositors, note-holders, and other stakeholders.
iv. To safeguard the Bank's ability to continue as a solvent going concern.

Capital adequacy and capital management ratios are monitored monthly and reported to the Bank of Jamaica. Capital is managed based on prudent best practices and employing techniques and guidelines developed by the Bank of Jamaica and the Bank's Board Risk Management Committee.

The Bank of Jamaica requires the Bank to, at least:

i. Hold the minimum level of regulatory capital.
ii. Maintain the minimum ratio of total regulatory capital to risk-weighted assets

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-statement of financial position exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The Bank monitors two forms of capital required by Bank of Jamaica, namely, capital base and regulatory capital. Section 2 of The Banking Services Act, 2014, defines capital base as Tier 1 Capital only. The said Section also defines regulatory capital as the sum of Tier I capital, and Tier 2 capital less any deductions prescribed under The Banking Services (Deposit Taking Institutions) (Capital Adequacy) Regulations, 2015. As such the Bank's regulatory capital comprises:

Tier 1 capital: Paid-up share capital, retained earnings and reserves created by appropriations of retained earnings; and Tier 2 capital qualifying: Subordinated loan capital and collective impairment allowances.

During 2023 and 2022, the Bank complied with all of their externally imposed capital requirements to which it is subject.

4. Critical Accounting Estimates and Judgments

The Bank's financial statements and its financial result are influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparation of the financial statements. The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. Accounting policies and management's judgements for certain items are especially critical for the Bank's results and financial situation due to their materiality.

i. Recognition and measurement of intangible assets

The recognition and measurement of intangible assets, in a business combination, involve the utilization of valuation techniques. These intangibles are market related, consumer related, and contact based.

For significant amounts of intangibles arising from a business combination, the Bank has utilised independent professional advisors to assist management in determining the recognition and measurement of these assets.

ii. Valuation of financial instruments

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other permia used in estimating discount rates.

Considerable judgement is required in interpreting market data to arrive at estimates of fair values. Consequently, the estimates arrived at may be significantly different from the actual price of the instrument in an arm's length transaction.

iii. Income taxes

Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Bank recognises liabilities for possible tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were originally recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Management has assessed the Bank's ability to recognise the deferred tax asset arising from tax losses and has deemed it appropriate to have such recognition based on projections of future profits. The Bank's operations of the acquired and existing banks were combined during 2017 and management has restructured the organisation to remove duplication of resources and costs.

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4. Critical Accounting Estimates and Judgments (Continued)

iv. Impairment losses of financial assets

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

- Establishing staging for debt securities and deposits

  The Bank's internal credit rating model is a 10-point scale which allows for distinctions in risk characteristics and is referenced to the rating scale of international credit rating agencies. The scale is set out in the following table:

- Establishing staging for debt securities and deposits

Category		Sagicor Risk Rating	Classification	S&P	Moody's	Fitch	AM Best
Non-default	Investment grade	1	Minimal risk	AAA, AA	Aaa, Aa	AAA, AA	aaa, aa
		2	Low risk	A	A	A	a
		3	Moderate risk	BBB	Baa	BBB	bbb
	Non-investment grade	4	Acceptable risk	BB	Ba	BB	bb
		5	Average risk	B	B	B	b
	Watch	6	Higher risk	CCC, CC	Caa, Ca	CCC, CC	ccc, cc
		7	Special mention	C	C	C	c
Default		8	Substandard			DDD	
		9	Doubtful	D	C	DD	d
		10	Loss			D	

The Bank uses its internal credit rating model to determine which of the three stages an asset is to be categorized for the purposes of ECL.

Once the asset has experienced a significant increase in credit risk the investment will move from Stage 1 to Stage 2. Sagicor has assumed that the credit risk of a financial instruments has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial asset that is investment grade or Sagicor risk rating of 1-3 is considered low credit risk.

Stage 1 investments are rated (i) investment grade, or (ii) below investment grade and have not been downgraded more than 2 notches since origination. Stage 2 investments are assets which (i) have been downgraded from investment grade to below investment grade, or (ii) are rated below investment grade and have been downgraded more than 2 notches since origination. Stage 3 investments are assets in default.

- Establishing staging for other assets measured at amortised cost, loan commitments and financial guarantee contracts

  Exposures are considered to have resulted in a significant increase in credit risk and are moved to stage 2 when:

  Qualitative test
  Accounts that meet the portfolio's 'high risk' criteria and are subject to closer credit monitoring.
  Backstop Criteria
  Accounts that are 30 calendar days or more past due. The 30 days past due criteria is a backstop rather than a primary driver of moving exposures into stage 2.

4. Critical Accounting Estimates and Judgments (Continued)

iv. Impairment losses of financial assets (continued)

- Forward looking information
  When management determines the macro-economic factors that impact the portfolios of financial assets, they first determine all readily available information within the relevant market. Portfolios of financial assets are segregated based on product type, historical performance and homogenous country exposures. There is often limited timely macro-economic data for Jamaica, Caymna Islandsa and Costa Rica to a lesser extent. Management assesses data sources from local government, International Monetary Fund and other reliable data sources. A regression analysis is performed to determine which factors are most closely correlated with the credit losses for each portfolio. Where projections are available, these are used to look into the future up to three years and subsequently the expected performance is then used for the remaining life of the product. These projections are re-assessed on a quarterly basis.

v. Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. Additional information is disclosed in Note 23.

vi. Legal Claim

A Court judgement was granted against the Bank in favour of a claimant. The claim pre-dated the acquisition of control of the Bank. Management has recorded the judgement in these financial statements and has correspondingly recorded a receivable from the Government of Jamaica based on an indemnity that was issued by the said. Management is confident that the Government of Jamaica will honour its obligation under the indemnity. See Note 28 and 43 for further details.

5. Interest Income

	2023		
	Amortized cost	**FVOCI assets**	**Total**
	$'000	**$'000**	**$'000**
Interest income -			
Debt securities	584,779	1,677,988	2,262,767
Loans	11,760,610	-	11,760,610
Securities purchased for re-sale	157,458	-	157,458
Dividend income		42,052	42,052
	12,502,847	1,720,040	14,222,887
Interest income from FVTPL investments			
Other operating income			171,474
			14,394,361

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5. Interest Income (Continued)

	2022		
	Amortized $'000	**FVOCI $'000**	**Total $'000**
Interest income -			
Debt securities	690,993	1,263,075	1,954,068
Loans	9,497,097	-	9,497,097
Securities purchased for re-sale	185,381	-	185,381
Dividend income	-	20,391	20,391
	10,373,471	1,283,466	11,656,937
Interest income from FVTPL investments			
Other operating income			107,508
			11,764,445

6. Interest Expense

	2023 $'000	2022 $'000
Customer deposits	2,585,612	1,430,427
Borrowings, due to banks and other financial institutions	600,274	659,644
Lease interest expense	75,787	64,517
	3,261,673	2,154,588

7. Credit Impairment Losses, Net of Recoveries

	2023 $'000	2022 $'000
Investments	(2,624)	12,921
Loans (Note 17)	943,502	777,052
Recoveries (Note 17)	(360,405)	(315,788)
	580,473	474,185

8. Net Fee and Commission Income

	2023 $'000	2022 $'000
Fee and Commission Income		
Banking fees	1,072,785	1,000,916
Credit related fees	815,593	714,379
Electronic channel fees	5,121,074	4,353,005
Trust and other fiduciary fees	91,728	82,907
Other	95,799	39,018
	7,196,979	6,190,225
Fee and Commission Expense		
Electronic channel fees	(2,779,840)	(2,244,864)
	4,417,139	3,945,361

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9. Team Member Costs

	2023 $'000	2022 $'000
Wages and salaries	2,645,473	2,489,174
Statutory contributions	299,148	308,935
Pension costs – defined benefit plan (Note 22)	119,196	106,137
Other post-employment benefits (Note 22)	134,854	162,576
Termination costs	6,518	30
Stock options and grants	47,975	75,742
Accommodation and other team member benefits	264,689	278,690
	3,517,853	3,421,284

The number of persons employed at the end of the year:

	2023 No.	2022 No.
Full – time	532	508
Part – time	141	143
	673	651

10. Other Expenses

	2023 $'000	2022 $'000
Amortisation of intangible assets (Note 20)	249,797	231,375
Audit fees -		
Current	31,280	23,386
Prior	6,303	273
Bank charges	420,931	359,816
Commissions and fees	10	220
Consultancy fees	69,424	24,366
Depreciation	503,965	484,736
Donations	1,537	6,601
Insurance	300,928	269,148
Legal and professional fees	85,163	78,825
Licensing fee	963,870	698,803
Miscellaneous	777,927	451,486
Motor vehicle expenses	5,402	7,990
Office expenses	1,864	2,478
Printing and stationery	94,970	91,031
Promotion and advertising	373,878	301,792
Repairs and maintenance	182,733	199,346
Security	295,284	158,530
Services outsourced	2,248,344	1,802,482
Telephone and postage	301,942	305,543
Travelling and entertainment	28,001	35,022
	6,943,553	5,533,249

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11. Taxation

(a) Taxation is based on profit for the year adjusted for tax purposes and represents income tax at 33⅓%.

	2023 $'000	2022 $'000
Current tax	2,010,626	1,984,141
Prior year under provision	49,977	14,723
Deferred tax (Note 23)	(51,006)	(234,260)
	2,009,597	1,764,604

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

	2023 $'000	2022 $'000
Profit before taxation	5,562,163	5,089,900
Tax calculated at 33⅓%	1,854,054	1,696,633
Adjusted for the effects of:		
Income not subject to tax	(77,373)	(93,318)
Expenses not deductible for tax purposes	262,729	215,124
Net effect of other charges and allowances adjustments and allowances	(29,813)	(53,835)
Income tax expense	2,009,597	1,764,604

(c) The deferred tax credited relating to components of other comprehensive income is as follows:

	2023 $'000	2022 $'000
Arising on losses recognised in other comprehensive income -		
FVOCI investments	(187,706)	377,353
Re-measurements of post-employment benefits	79,291	(157,596)
	(108,415)	219,757

12. Cash and Balances Due from Other Financial Institutions

	2023 $'000	2022 $'000
Cash in hand and at bank	19,624,886	19,190,025
Items in course of collection from other financial institutions	693,524	1,177,062
Placement with other financial institutions	-	1,057,057
Included in cash and cash equivalents (Note 14)	20,318,410	21,424,144
Interest receivable on placements	-	6,244
	20,318,410	21,430,388

13. Cash Reserves at Bank of Jamaica

Minimum cash reserve and liquid asset ratios in respect of deposit liabilities are required to be maintained by the Bank with the Bank of Jamaica. Cash reserves are not available for investment or lending. It can only be included in the computation of Liquid Asset Ratio and Liquid Coverage Ratio that is required to be maintained by the bank.

The cash and liquid asset requirement at year-end were as follows:

	2023 $'000	2022 $'000
Cash reserve - Foreign currency liabilities	14%	13%
Jamaica dollar liabilities	6%	5%
Liquid assets - Foreign currency liabilities	14%	13%
Jamaica dollar liabilities	6%	5%

14. Cash and Cash Equivalents

	2023 $'000	2022 $'000
Cash and balances due from other financial institutions (Note 12)	20,318,410	21,424,144
Investment securities	1,807,585	3,337,112
Securities sold under agreements to repurchase	(2,750,000)	(4,390,000)
Securities purchased under agreements to resell (Note 15)	791,043	2,265,123
Items in course of payment (Note 27)	(636,596)	(445,633)
Short term loans due to other financial institutions (Note 28)	(1,000,000)	(1,000,000)
	18,530,442	21,190,746

Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	2023 $'000	2022 $'000
Cash and cash equivalents	18,530,442	21,190,746
Liquid investments (i)	1,807,585	3,337,112
Borrowings – repayable within one year (excluding overdraft)	(1,248,583)	(1,335,275)
Borrowings – repayable after one year	(1,563,192)	(7,671,575)
Net debt	17,526,252	15,521,008
Cash and liquid investments	20,338,027	24,527,858
Gross debt – fixed interest rates	(2,811,775)	(9,006,850)
Net debt	17,526,252	15,521,008

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14. Cash and Cash Equivalents (Continued)

	Other assets		Liabilities from financing activities		
	Cash/ bank overdraft $'000	Liquid investments (i) $'000	Borrowings due within 1 year $'000	Borrowings due after 1 year $'000	Total $'000
Net debt as at 31 December 2021	27,443,880	4,396,479	(286,194)	(7,471,822)	24,082,343
Cash flows	(5,628,712)	-	(1,049,081)	(199,753)	(6,877,546)
Foreign exchange adjustments	(624,422)	-	-	-	(624,422)
Other non-cash movements	-	(1,059,367)	-	-	(1,059,367)
Net debt as at 31 December 2022	21,190,746	3,337,112	(1,335,275)	(7,671,575)	15,521,008
Cash flows	(3,011,532)	-	86,692	6,108,383	3,183,543
Foreign exchange adjustments	351,228	-	-	-	351,228
Other non-cash movements	-	(1,529,527)	-	-	(1,529,527)
Net debt as at 31 December 2023	18,530,442	1,807,585	(1,248,583)	(1,563,192)	17,526,252

(i) Liquid investments comprise current investments that are traded in an active market, being the Bank's financial assets held at fair value through profit or loss.

15. Securities Purchased Under Agreements to Resell

The Bank entered into reverse repurchase agreements collateralised by Government of Jamaica securities. These agreements may result in credit exposure in the event that the counterparty to the transaction is unable to fulfil its contractual obligation.

As at 31 December 2023, the Bank held $1,114,628,000 (2022 - $4,635,952,000) of securities, mainly representing Government of Jamaica debt securities, as collateral for reverse repurchase agreements.

	2023 $'000	2022 $'000
Securities purchased under agreements to resell		
Principal	1,022,445	4,303,734
Interest receivable	11,083	25,459
	1,033,528	4,329,193

	2023 $'000	2022 $'000
Securities purchased under agreement to resell with an original maturity of less than 90 days (Note 14)	791,043	2,265,123

Credit risk exposure- financial investments subject to impairment

15. Securities Purchased Under Agreements to Resell (Continued)

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

	ECL Staging				31 December 2023	31 December 2022
Securities purchased for resale – amortised cost	**Stage 1 12-month ECL**	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**	**Purchased credit-impaired**	**Total**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Credit grade:						
Non-investment	1,033,528	-	-	-	1,033,528	4,329,193
Gross carrying amount	1,033,528	-	-	-	1,033,528	4,329,193

The Bank did not have any Securities purchased for resale at amortised cost investments with credit grade of investment, watch, default, unrated or loss allowance for this year or the prior year.

(a) Credit risk

IFRS 9 carrying values

The following tables explain the changes in the carrying value between the beginning and the end of the period due to these factors. The gross carrying amounts of investments below represent the Bank's maximum exposure to credit risk on these assets.

	ECL staging				
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Purchased credit-impaired**	**Total**
SECURITIES PURCHASED FOR RESALE - AMORTISED COST	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Gross carrying amount as at January 1, 2023	4,329,193	-	-	-	4,329,193
Net new financial assets originated or purchased	(3,295,665)	-	-	-	(3,295,665)
Gross carrying amount as at December 31, 2023	1,033,528	-	-	-	1,033,528

	ECL staging				
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Purchased credit-impaired**	**Total**
SECURITIES PURCHASED FOR RESALE - AMORTISED COST	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Gross carrying amount as at January 1, 2022	6,236,101	-	-	-	6,236,101
Net new financial assets originated or purchased	(1,906,908)	-	-	-	(1,906,908)
Gross carrying amount as at December 31, 2022	4,329,193	-	-	-	4,329,193

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16. Investment Securities

	2023 $'000	2022 $'000
Financial assets at FVOCI -		
Debt securities -		
Government of Jamaica	12,549,484	12,186,528
Corporate bonds	4,419,054	5,901,966
Other sovereign debt	7,359,874	7,428,164
	24,328,412	25,516,658
Preference shares – unquoted at fair value	313,934	-
	24,642,346	25,516,658
Investments at amortised cost -		
Debt securities – Corporate bonds	7,905,281	8,918,717
Bank of Jamaica Certificate of Deposits	4,713,369	4,260,279
Unquoted equity securities	6,034	6,034
	12,624,684	13,185,030
	37,267,030	38,701,688
Less: Pledged assets (Note 19)	(4,946,941)	(6,535,118)
	32,320,089	32,166,570
Interest receivable	441,816	402,669
	32,761,905	32,569,239

(a) Credit risk

Credit risk exposure- financial investments subject to impairment

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

	ECL Staging				31 December 2023	31 December 2022
Debt securities – amortised cost	**Stage 1 12-month ECL**	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**	**Purchased credit-impaired**	**Total**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Credit grade:						
Investment	-	-	-	-	-	3,606,831
Non-investment	10,592,623	2,246,264	-	-	12,838,887	9,722,718
Gross carrying amount	10,592,623	2,246,264	-	-	12,838,887	13,329,549
Loss allowance	(15,632)	(38,506)	-	-	(54,138)	(43,054)
Carrying amount	10,576,991	2,207,758	-	-	12,784,749	13,286,496

16. Investment Securities (Continued)

The Bank did not have any debt securities at amortised cost investments with credit grade of watch, default or unrated for this year or the prior year.

Debt securities – FVOCI	ECL Staging: Stage 1 12-month ECL	ECL Staging: Stage 2 life-time ECL	ECL Staging: Stage 3 life-time ECL	ECL Staging: Purchased credit-impaired	31 December 2023 Total	31 December 2022 Total
	$'000	$'000	$'000	$'000	$'000	$'000
Credit grade:						
Investment	6,604,090	-	-	-	6,604,090	6,778,813
Non-investment	18,887,228	-	-	-	18,887,228	20,451,548
Gross carrying amount	25,491,318	-	-	-	25,491,318	27,230,361
Loss allowance	(11,651)	-	-	-	(11,651)	(34,698)
Carrying amount	25,479,667	-	-	-	25,479,667	27,195,663

The Bank did not have any debt securities at FVOCI investments with credit grade of watch, default or unrated for this year or the prior year.

Loss allowances

The allowance for ECL is recognised in each reporting period and is impacted by a variety of factors, as described below:

- Transfers between stages due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired during the period;
- 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 inputs used in the calculation including the effect of 'step-up' (or 'step down') between 12-month and life-time ECL;
- Impacts on the measurement of ECL due to changes made to models and assumptions; and
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements.

	ECL staging: Stage 1 12-month ECL	ECL staging: Stage 2 Lifetime ECL	ECL staging: Stage 3 Lifetime ECL	ECL staging: Purchased credit-impaired	31 December 2023 Total	31 December 2022 Total
Debt Securitie – Amortised Cost	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Loss Allowance as at 1 January 2023	43,054	-	-	-	43,054	25,555
Transfers	(4,570)	4,570	-	-	-	-
New financial assets originated or purchased	2,187	-	-	-	2,187	40,090
Financial assets fully derecognised during the period	(3,896)	-	-	-	(3,896)	(25,920)
Changes to inputs used in ECL calculation	(21,823)	33,936	-	-	12,113	3,329
Foreign exchange adjustment	680	-	-		680	-
Loss Allowance as at December 31, 2023	15,632	38,506	-	-	54,138	43,054

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16. Investment Securities (Continued)

(a) Credit risk

	ECL staging					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	31 December 2023 Total	31 December 2022 Total
Debt Securities – FVOCI	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Loss Allowance as at January 1, 2023	34,698	-	-	-	34,698	40,808
Transfers	-	-	-	-	-	-
New financial assets originated or purchased	1,695	-	-	-	1,695	5,369
Financial assets fully derecognised during the period	(6,660)	-	-	-	(6,660)	(1,188)
Changes to inputs used in ECL calculation	(18,487)	-	-	-	(18,487)	(9,894)
Foreign exchange adjustment	405	-	-	-	405	(397)
Loss Allowance as at December 31,2023	11,651	-	-	-	11,651	34,698

The following tables explain the changes in the carrying value between the beginning and the end of the period due to these factors. The gross carrying amounts of investments below represent the Bank's maximum exposure to credit risk on these assets.

	ECL staging					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	31 December 2023 Total	31 December 2022 Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
DEBT SECURITIES – FVOCI						
Gross carrying amount as at January 1, 2023	27,230,361	-	-	-	27,230,361	28,346,653
New financial assets originated or purchased	10,804,088	-	-	-	10,804,088	10,400,780
Financial assets fully derecognised during the period	(12,590,345)	-	-	-	(12,590,345)	(7,984,962)
Changes in principle and interest	(135,503)	-	-	-	(135,503)	(3,354,475)
Foreign exchange adjustment	182,717	-	-	-	182,717	(177,635)
Gross carrying amount as at December 31, 2023	25,491,318	-	-	-	25,491,318	27,230,361

There were no transfers between stages during the current or prior year.

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16. Investment Securities (Continued)

(a) Credit risk (continued)

IFRS 9 carrying values

	ECL staging					
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Purchased credit-impaired**	**31 December 2023 Total**	**31 December 2022 Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
DEBT SECURITIES - AMORTISED COST						
Gross carrying amount as at January 1, 2023	13,329,549	-	-	-	13,329,549	13,974,059
Transfers	(676,490)	676,490	-	-	-	-
New financial assets originated or purchased	4,763,844	-	-	-	4,763,844	9,274,570
Financial assets fully derecognised during the period	(5,417,583)	-	-	-	(5,417,583)	(9,921,046)
Changes in principal and interest	(1,408,219)	1,569,774	-	-	161,555	1,966
Foreign exchange adjustment	1,522	-	-	-	1,522	-
Gross carrying amount as at December 31, 2023	10,592,623	2,246,264	-	-	12,838,887	13,329,549

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

	2023 $'000	**2022 $'000**
Government of Jamaica	12,744,933	12,392,703
Bank of Jamaica	8,852,220	9,856,657
Corporate	7,851,898	7,943,314
Financial institutions	1,769,443	5,659,196
Other sovereign debt	7,523,880	7,581,680
	38,742,374	43,433,550

17. Loans, Net of Provision for Credit Losses

	2023	**2022**
	$'000	**$'000**
Gross loans and advances	120,087,969	109,212,031
Less: Allowance for credit losses	(1,497,856)	(1,508,762)
	118,590,113	107,703,269
Loan interest receivable	472,114	396,221
	119,062,227	108,099,490

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17. Loans, Net of Provision for Credit Losses (Continued)

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

	2023 $'000	2022 $'000
Balance at beginning of year	1,508,762	1,336,035
Previously provided for written off	(612,244)	(272,244)
Charged in the income statement (Note 7)	943,502	777,052
Recoveries (Note 7)	(360,405)	(315,788)
Currency revaluation adjustment	18,241	(16,293)
Balance at end of year	1,497,856	1,508,762

The aggregate amount of non-performing loans for the Bank on which interest was not being accrued amounted to $1,554,544,000 (2022 - $1,592,725,000).

(a) Credit risk

Credit risk exposure- financial investments subject to impairment

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

	ECL Staging				31 December 2023	31 December 2022
Loans, net of provision for credit losses	**Stage 1 12-month ECL**	**Stage 2 life-time ECL**	**Stage 3 life-time ECL**	**Purchased credit-impaired**	**Total**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Credit grade:						
Non-investment	116,268,745	2,736,795	-	-	119,005,540	108,015,527
Default	-	-	1,554,544	-	1,554,544	1,592,725
Gross carrying amount	116,268,745	2,736,795	1,554,544	-	120,560,084	109,608,252
Loss allowance	(521,074)	(107,120)	(869,662)	-	(1,497,856)	(1,508,762)
Carrying amount	115,747,671	2,629,675	684,882	-	119,062,228	108,099,490

The Bank did not have any loans, net of provisions for credit losses with credit grade of investment or watch for this year or the prior year.

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17. Loans, Net of Provision for Credit Losses (Continued)

(a) Credit risk (continued)

Loss allowances

The allowance for ECL is recognised in each reporting period and is impacted by a variety of factors, as described below:

- Transfers between stages due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired during the period;
- 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 inputs used in the calculation including the effect of 'step-up' (or 'step down') between 12-month and life-time ECL;
- Impacts on the measurement of ECL due to changes made to models and assumptions; and
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements.

There were no transfers between stages during the current or prior year.

	ECL staging					
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Purchased credit-impaired**	**31 December 2023 Total**	**31 December 2022 Total**
LOANS - AMORTISED COST	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Loss Allowance as at January 1, 2023	616,893	101,736	790,133	-	1,508,762	1,336,035
Transfers:						
Transfer from Stage 1 to Stage 2	(6,353)	6,353	-	-	-	-
Transfer from Stage 1 to Stage 3	(4,684)		4,684	-	-	-
Transfer from Stage 2 to Stage 1	46,237	(46,237)	-	-	-	-
Transfer from Stage 2 to Stage 3	-	(1,747)	1,747	-	-	-
Transfer from Stage 3 to Stage 2	-	3,815	(3,815)	-	-	-
Transfer from Stage 3 to Stage 1	(2,441)		2,441	-	-	-
New financial assets originated or purchased	123,931	8,702	28,879	-	161,512	278,276
Financial assets fully derecognised during the period	(38,940)	(3,285)	(145,090)	-	(187,315)	(476,914)
Changes to inputs used in ECL calculation	(215,692)	36,457	189,275	-	10,040	377,992
Foreign exchange adjustments	2,124	1,327	1,406	-	4,857	(6,627)
Loss Allowance as at December 31, 2023	521,075	107,121	869,660	-	1,497,856	1,508,762

IFRS 9 carrying values

The following tables explain the changes in the carrying value between the beginning and the end of the period due to these factors. The gross carrying amounts of investments below represent the Bank's maximum exposure to credit risk on these assets.

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17. Loans, Net of Provision for Credit Losses (Continued)

(a) Credit risk (continued)

IFRS 9 carrying values (Continued)

	ECL staging				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased**	
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	**credit-impaired**	**Total**
LOANS - AMORTISED COST	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Gross carrying amount as at January 1, 2023	104,580,083	3,435,444	1,592,725	-	109,608,252
Transfers:					
Transfer from Stage 1 to Stage 2	(1,162,385)	1,162,385	-	-	-
Transfer from Stage 1 to Stage 3	(725,370)	-	725,370	-	-
Transfer from Stage 2 to Stage 1	1,585,461	(1,585,461)	-	-	-
Transfer from Stage 2 to Stage 3	-	(56,919)	56,919	-	-
Transfer from Stage 3 to Stage 2	-	15,424	(15,424)	-	-
Transfer from Stage 3 to Stage 1	(14,939)	-	14,939	-	-
New financial assets originated or purchased	27,134,433	213,192	49,948	-	27,397,573
Financial assets fully derecognised during the period	(6,054,596)	(116,365)	(273,682)	-	(6,444,643)
Changes in principal and interest	(9,484,564)	(361,859)	(598,684)	-	(10,445,107)
Foreign exchange adjustment	410,619	30,956	2,433	-	444,008
Gross carrying amount as at December 31, 2023	116,268,742	2,736,797	1,554,544	-	120,560,083

	ECL staging				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased**	
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	**credit-impaired**	**Total**
LOANS - AMORTISED COST	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Gross carrying amount as at January 1, 2022	89,117,729	3,180,989	2,055,581		94,354,299
Transfers:					
Transfer from Stage 1 to Stage 2	(1,485,632)	1,485,632	-	-	-
Transfer from Stage 1 to Stage 3	(536,628)	-	536,628	-	-
Transfer from Stage 2 to Stage 1	252,580	(252,580)	-	-	-
Transfer from Stage 2 to Stage 3	-	(211,424)	211,424	-	-
Transfer from Stage 3 to Stage 1	-	24,651	(24,651)	-	-
Transfer from Stage 3 to Stage 2	178,543	-	(178,543)	-	-
New financial assets originated or purchased	34,457,406	314,519	124,967	-	34,896,892
Financial assets fully derecognised during the period	(14,043,586)	(222,211)	(944,550)	-	(15,210,347)
Changes in principal and interest	(3,108,029)	(827,786)	(182,194)	-	(4,118,009)
Foreign exchange adjustment	(252,300)	(56,346)	(5,937)	-	(314,583)
Gross carrying amount as at December 31, 2022	104,580,083	3,435,444	1,592,725	-	109,608,252

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17. Loans, Net of Provision for Credit Losses (Continued)

(a) Credit risk (continued)

The table below shows the Bank's gross loans (excluding interest receivable) and the associated impairment provision for each internal rating class:

Bank's rating		**2023**		**2022**
	Loans $'000	**Impairment provision $'000**	**Loans $'000**	**Impairment provision $'000**
Standard	109,360,619	507,557	100,234,249	599,619
Potential problem credit	9,172,806	120,637	7,385,056	119,008
Sub-standard	618,378	355,374	883,494	505,375
Doubtful	376,996	245,384	277,321	141,614
Loss	559,170	268,904	431,911	143,146
	120,087,969	1,497,856	109,212,031	1,508,762

Loans

(i) Credit quality of loans are summarised as follows:

	2023 $'000	**2022 $'000**
Neither past due nor impaired:		
Standard	109,360,619	100,234,249
Past due but not impaired	9,172,806	7,385,056
Impaired	1,554,544	1,592,726
Gross	120,087,969	109,212,031
Less: Provision for credit losses	(1,497,856)	(1,508,762)
Net	118,590,113	107,703,269

Loans become past due when payments are not yet received on contractual repayment dates. The majority of past due loans are not considered impaired.

(ii) Aging analysis of past due but not impaired loans:

	2023 $'000	**2022 $'000**
Less than 30 days	6,457,639	5,845,470
31 to 60 days	2,009,341	1,007,259
61 to 90 days	705,826	532,326
	9,172,806	7,385,055

The Bank holds adequate collateral for past due but not impaired loans. There are no significant financial assets other than loans that are past due.

17. Loans, Net of Provision for Credit Losses (Continued)

(a) Credit risk (continued)

(iii) Financial assets – individually impaired

Financial assets that are individually impaired before taking into consideration the cash flows from collateral held are as follows:

	2023 $'000	2022 $'000
Loans	1,554,544	1,592,726

(iv) Renegotiated loans

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

(v) Repossessed collateral

The Bank can obtain assets 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 is in the process of repossessing collateral totalling $20,409,517 (2022 – $97,157,754) and in the process of disposing of repossessed assets totalling $596,966,200 (2022: -$780,016,400).

(vi) Loans

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

	2023 $'000	2022 $'000
Agriculture, fishing and mining	1,647,749	1,278,231
Construction and real estate	18,278,629	15,940,215
Distribution	10,157,596	10,478,152
Manufacturing	3,557,331	3,890,799
Personal	50,364,548	44,968,092
Professional and other services	17,631,702	16,370,005
Tourism and entertainment	9,343,377	6,946,151
Transportation, storage and communication	989,606	924,009
Other	8,117,431	8,416,377
	120,087,969	109,212,031
Less: Provision for credit losses	(1,497,856)	(1,508,762)
	118,590,113	107,703,269
Interest receivable	472,114	396,221
	119,062,227	108,099,490

The majority of loans are extended to customers in Jamaica.

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18. Pledged Assets

Assets are pledged as collateral under repurchase agreements with customers and other financial institutions and for security relating to overdraft and other facilities with other financial institutions and with the Bank of Jamaica.

	Asset		Related liability	
	2023	**2022**	**2023**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
Investment securities and securities purchased under resale agreements	4,946,941	6,535,118	3,279,000	5,340,000

Of the assets pledged as security, the following represents the total for those assets pledged for which the transferee has the right by contract or custom to sell or re-pledge the collateral.

	2023	**2022**
	$'000	**$'000**
Investment securities (Note 16)	4,946,941	6,535,118

Included in the pledged investments is Government of Jamaica securities totalling $824,504,000 (2022 - $438,083,000), which are deposited with J.E.T.S. to facilitate the use of the mulit link network.

19. Related Party Balances and Transactions

Parties are considered to be related if one has the ability to control or exercise significant influence over the other parties in making financial or operational decisions. There were no related party transactions with the ultimate parent company.

Related companies include ultimate parent company, intermediate parent company, fellow subsidiaries, subsidiaries and an entity which has significant influence over the intermediate parent company. Related parties include directors, key management and companies/funds for which the Bank's parent company and fellow subsidiary provides management services. PanJamaican Trust Investment Limited is a related party by virtue of being a shareholder with significant influence over the intermediate parent company, Sagicor Life Jamaica Limited.

(i) The following transactions were carried out with related parties and companies:

	2023	**2022**
	$'000	**$'000**
With parent company -		
Interest and other income earned	4,266	4,595
Interest and other expenses paid	(8,412)	(6,191)
Investment management fee paid	(1,933,314)	(1,483,493)
Information Technology rental	(112,140)	(107,155)
Party with significant influence over intermediate party company -		
Interest and other income earned	112,387	89,640
Interest and other expenses paid	(183,077)	(158,198)
Management fees and other expenses paid	(51,921)	(38,770)
Rental and net lease paid	(190,530)	(118,358)

19. Related Party Balances and Transactions (Continued)

(i) The following transactions were carried out with related parties and companies (continued)

Key management compensation was as follows –

	2023 $'000	2022 $'000
With directors and key management personnel -		
Salaries and other short-term benefits	95,052	138,003
Post-employment benefits	4,645	6,811
	99,697	144,814

	2023 $'000	2022 $'000
Directors' emoluments – Fees	25,160	26,497
Other	-	138

(ii) Year-end balances with related companies and parties are as follows:

	2023 $'000	2022 $'000
Due from related companies -		
Balances due from parent company	11,486	-
Balances due from fellow subsidiaries	4,104	33,620
	15,590	33,620
Due to related companies -		
Balances due to parent company	-	(1,464)
Balances due to fellow subsidiaries	(17,167)	(15,047)
	(17,167)	(16,511)

The amount due from parent company represents an advance that has no fixed repayment term, unsecured and is interest free.

	2023 $'000	2022 $'000
Other year-end balances with related companies -		
With parent company -		
Customer deposits	(589,729)	(832,656)
With fellow subsidiaries -		
Loans	310,374	267,794
Repurchase agreement	19,795	-
Customer deposits	(9,116,087)	(11,313,339)
With directors and key management personnel -		
Loans	303,076	260,009
Customer deposits	(572,696)	(318,702)
Party with significant influence over intermediate party company -		
Customer deposits	(1,102,451)	(3,126,826)
Loans	777,116	(866,288)

20. Intangible Assets

	Customer Relationships $'000	Computer Software $'000	Total $'000
Cost -			
At 1 January 2022	1,139,000	1,194,547	2,333,547
Additions	-	418,428	418,428
At 31 December 2022	1,139,000	1,612,975	2,751,975
Additions	-	10,108	10,108
At 31 December 2023	1,139,000	1,623,083	2,762,083
Accumulated Depreciation -			
At 1 January 2022	427,125	829,767	1,256,892
Charge for the year 2022	56,950	174,425	231,375
At 31 December 2022	484,075	1,004,192	1,488,267
Charge for the year	56,950	192,847	249,797
At 31 December 2023	541,025	1,197,039	1,738,064
Net Book Value -			
At 31 December 2023	597,975	426,044	1,024,019
At 31 December 2022	654,925	608,783	1,263,708

(i) Computer software
This represents computer software purchased. The intangible assets have finite useful lives and are amortised over five years. The amortisation of intangible assets is included in other expenses in the income statement (Note 10).

(ii) Customer relationships
This represents valuation of customer base acquired as part of RBC acquisition on June 27, 2014. The customer base has been determined to have a finite useful life and is amortised over 20 years. The associated amortisation costs of $56,950,000 is included in other expenses category in the income statement.

21. Property, Plant and Equipment

	Land & Building $'000	Leasehold Improvement $'000	Office Equipment $'000	Furniture & Fixtures $'000	Motor Vehicles $'000	Computer Equipment $'000	Total $'000
Costs -							
At 1 January 2022	345,420	776,914	867,414	192,748	34,501	1,016,658	3,233,655
Additions	-	10,861	5,765	2,276	-	286,499	305,401
Disposals	-	-	-	-	(4,000)	(153)	(4,153)
At 31 December 2022	345,420	787,775	873,179	195,024	30,501	1,303,004	3,534,903
Additions	-	1,953	14,108	638	14,000	59,228	89,927
Disposals	-	-	-	-	(9,077)	-	(9,077)
At 31 December 2023	345,420	789,728	887,287	195,662	35,424	1,362,232	3,615,753
Accumulated Depreciation -							
At 1 January 2022	110,490	477,271	651,597	65,361	23,378	637,565	1,965,662
Charge of the year	6,158	65,712	80,457	8,192	4,245	157,483	322,247
Disposals	-	-	-	-	(4,000)	(123)	(4,123)
At 31 December 2022	116,648	542,983	732,054	73,553	23,623	794,925	2,283,786
Charge of the year	6,158	55,778	63,211	6,912	4,460	164,938	301,457
Disposals	-	-	-	-	(9,077)	-	(9,077)
At 31 December 2023	122,806	598,761	795,265	80,465	19,006	959,863	2,576,166
Net Book Value -							
31 December 2023	222,614	190,967	92,022	115,197	16,418	402,369	1,039,587
31 December 2022	228,772	244,792	141,125	121,471	6,878	508,079	1,251,117

22. Post-employment Benefits

	2023 $'000	2022 $'000
(a) Pension benefits	(23,938)	(25,976)
(b) Other post-employment benefit obligations	1,207,803	891,226
	1,183,865	865,250

(a) Pension schemes

The Bank has established a number of pension schemes covering all permanent employees, a defined benefit plan and a defined contribution plan. The assets of the funded plans are held independently of the Bank's assets in separate trustee administered funds.

Defined contribution plan

The Defined contribution plan received regulatory approval in 2013 and all new employees subsequently are included in this plan.

Apart from the defined contribution plan, the Bank operates post-retirement benefits plans in respect of a medical plan and group life insurance for it retirees.

Defined benefit plan

The defined benefit plan is valued by independent actuaries annually using the Projected Unit Credit Method. The latest actuarial valuation was carried out as at 31 December 2022. The plan provides pensionable salary to members based on the average member's earnings over the 5 years immediately prior to exit.

The law requires each plan sponsor to be an ordinary annual contributor but does not stipulate a minimum funding rate or solvency level. In absence of guidance from the regulator, the actuaries have agreed on a minimum employer contribution rate of 0.25% of payroll per annum where plan rules do not specify a minimum.

The Trustees of the pension scheme ensure benefits are funded, benefits are paid, assets invested to maximise returns subject to acceptable investment risks while considering the liability profile.

The next triennial valuation is due to be completed as at 31 December 2025.

Any plan surplus or funding deficiency for the defined benefit plan is absorbed by the Bank.

The solvency level (the ratio of assets to past service liabilities) as at the last triennial funding valuation (2022) was 177%.

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

	2023 $'000	2022 $'000
Present value of funded obligations	5,704,463	5,420,670
Fair value of plan assets	(6,051,523)	(5,815,070)
Unrecognised Asset due to Asset Ceiling	323,122	368,424
Surplus of funded plan	(23,938)	(25,976)

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22. Post-employment Benefits (Continued)

(a) Pension schemes (continued)

The movement in the defined benefit obligation over the year is as follows:

	2023 $'000	2022 $'000
Balance at beginning of year	5,420,670	5,974,174
Current service cost	141,073	137,003
Interest cost	685,862	464,309
	826,935	601,312
Re-measurements -		
Change in financial assumptions	153,989	(476,402)
Experience adjustments	(613,966)	(579,452)
	(459,977)	(1,055,854)
Members' contributions	152,846	149,766
Benefits paid	(315,434)	(360,494)
Purchased annuities	79,423	111,766
Balance at end of year	5,704,463	5,420,670

The movement in the defined benefit asset during the year is as follows:

	2023 $'000	2022 $'000
Balance at beginning of year	5,815,070	6,220,868
Return on plan assets	755,634	495,175
Re-measurements -		
Change in financial assumptions	97,095	(229,328)
Experience adjustment	(673,842)	(706,645)
Members' contributions	152,846	149,766
Employer's contributions	140,731	133,962
Benefits paid	(315,434)	(360,494)
Purchased annuities	79,423	111,766
Balance at end of year	6,051,523	5,815,070

The amounts recognised in the income statement are as follows:

	2023 $'000	2022 $'000
Current service cost	141,073	137,003
Interest cost on plan obligation	685,862	464,309
Interest income on plan assets	(755,634)	(495,175)
Interest on effect of the asset ceiling	47,895	-
Total, included in team member costs (Note 9)	119,196	106,137

22. Post-employment Benefits (Continued)

(a) Pension schemes (continued)

The amount recognised in other comprehensive income is as follows:

	2023 $'000	2022 $'000
Change in financial assumptions	56,894	(247,074)
Experience adjustments	59,876	127,193
Unrecognised Asset due to Asset Ceiling	(93,197)	368,424
	23,573	248,543
Deferred tax	(7,858)	(82,848)
	15,715	165,695

Plan assets are comprised as follows:

	2023					2022				
	$'000	$'000	$'000	$'000	%	$'000	$'000	$'000	$'000	%
	Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total	
Equities Fund	1,474,453	-	-	1,474,453	24%	1,716,208	-	-	1,716,208	30%
Mortgage & Real Estate Fund	1,078,109	-	-	1,078,109	18%	1,045,120	-	-	1,045,120	18%
Fixed Income Fund	778,260	-	-	778,260	13%	577,621	-	-	577,621	10%
Money Market Fund	217,658	-	-	217,658	4%	157,934	-	-	157,934	3%
International Equity	170,828	-	-	170,828	3%	247,107	-	-	247,107	4%
Foreign Currency Fund	852,883	-	-	852,883	14%	916,049	-	-	916,049	16%
Global Market Funds	87,520	-	-	87,520	1%	84,445	-	-	84,445	1%
CPI Indexed Fund	504,474	-	-	504,474	8%	371,907	-	-	371,907	6%
Current Assets	246	-	-	246	0%	205	-	-	205	0%
Purchased annuities	-	834,426	-	834,426	14%	-	667,401	-	667,401	11%
Adjustments	52,666		-	52,666	1%	31,073	-	-	31,073	1%
	5,217,097	834,426	-	6,051,523	100%	5,147,669	667,401	-	5,815,070	100%

Expected contributions to the post-employment plan for the year ending 31 December 2024 are $270,169,000.

Movements in the amounts recognised in the statement of financial position:

	2023 $'000	2022 $'000
Asset at beginning of year	(25,976)	(246,694)
Amounts recognised in the income statement (Note 9)	119,196	106,137
Re-measurements recognised in other comprehensive income	23,573	248,543
Contributions paid	(140,731)	(133,962)
Asset at end of year	(23,938)	(25,976)

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22. Post-employment Benefits (Continued)

(a) Pension schemes (continued)

Movement in the asset ceiling:

	2023 $'000	2022 $'000
Effect of asset ceiling at beginning of year	368,424	-
Interest on assets	47,895	-
Re-measurements recognised in other comprehensive income	(93,197)	368,424
Asset at end of year	323,122	368,424

The significant actuarial assumptions used were as follows:

	2023	2022
Discount rate	11.0%	13.0%
Future salary increases	9.5%	9.5%

The sensitivity of post-employment benefits to changes in the weighted principal assumptions is:

	2023			2022		
	Impact on post-employment benefits			Impact on post-employment benefits		
	Change in Assumption	Increase in Assumption	Decrease in Assumption	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate – pension scheme	1%	(30,000)	37,000	1%	(27,000)	33,000
Discount rate – medical scheme	1%	(159,000)	200,000	1%	(105,000)	130,000
Future salary increases	1%	5,000	(4,000)	1%	8,000	(8,000)
Health cost	1%	194,000	(157,000)	1%	128,000	(105,000)
Future pension increases	0.5%	213,000	(199,000)	0.5%	181,000	(170,000)
Life expectancy	1 year	34,000	(34,000)	1 year	21,000	(21,000)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

(b) Other post-employment benefits

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

In addition to the assumptions used for the pension scheme, the main actuarial assumption is the long-term increase in health cost of 9% (2022 – 8.5%) per annum.

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

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22. Post-employment Benefits (Continued)

(b) Other post-employment benefits

	2023 $'000	2022 $'000
Present value of unfunded obligations	1,207,803	891,226

The movement in the defined benefit obligation over the year is as follows:

	2023 $'000	2022 $'000
Balance at beginning of year	891,226	1,481,710
Current service cost	21,047	45,284
Interest expense	113,807	117,292
Re-measurements -		
Loss from change in financial assumptions	198,092	(821,565)
Experience adjustments	16,207	100,233
	214,299	(721,332)
Benefits paid	(32,576)	(31,728)
Balance at end of year	1,207,803	891,226

The amounts recognised in the income statement are as follows:

	2023 $'000	2022 $'000
Current service cost	21,047	45,284
Interest cost	113,807	117,292
Total, included in team member costs (Note 9)	134,854	162,576

The amount recognised in other comprehensive income is as follows:

	2023 $'000	2022 $'000
Change in financial assumptions	198,092	(821,565)
Experience adjustments	16,207	100,233
	214,299	(721,332)
Deferred tax	(71,433)	240,444
	142,866	(480,888)

Movement in the amounts recognised in the statement of financial position:

	2023 $'000	2022 $'000
Liability at beginning of year	891,226	1,481,710
Amounts recognised in the income statement (Note 9)	134,854	162,576
Amount recognised in other comprehensive income	214,299	(721,332)
Benefits paid	(32,576)	(31,728)
Liability at end of year	1,207,803	891,226

22. Post-employment Benefits (Continued)

Plan risks

Through its defined benefit pension plans and post-employment medical plans, the Bank is exposed to a number of risks. The Bank does not use derivatives to manage its plan risks. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. Pensions are secured through the purchase of annuities from Sagicor Life Jamaica Limited. The remaining assets are invested in segregated pooled funds managed by Sagicor Life Jamaica Limited. The Bank has not changed the processes used to manage its risks from previous periods.

The most significant of these plan risks are detailed below:
Investment risk
The plan liabilities are calculated using a discount rate set with reference to Government of Jamaica bond yields. If plan assets underperform this yield, this will create a deficit.

The Bank ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension scheme. Within this framework, the Bank's ALM objective is to match assets to the pension obligations by investing in long-term assets with maturities that match the benefit payments as they fall due. The Bank actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations.

Changes in bond yields
A decrease in Government of Jamaica bond yields will increase plan liability, although this will be partially offset by an increase in the return on plan's assets which are linked to debt investment.

Salary risk
The present value of the plan liabilities is calculated in reference to the future salaries of members. Therefore an increase in the salary of members will increase the plan's liability.

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

The weighted average duration of liability of the defined benefit obligation is as follows:

	2023	**2022**
	Years	**Years**
Active members and deferred pensioners	34	35

23. Deferred Income Taxes

Deferred income taxes are calculated on all temporary differences under the liability method using a tax rate of 33⅓% for the Bank. The movement in the deferred income tax balance is as follows:

	2023	**2022**
	$'000	**$'000**
Balance at beginning of year	1,055,686	601,669
Creditedto the income statement (Note 11)	51,006	234,260
Tax (charged)/credited relating to components in other comprehensive income (Note 11)	(108,415)	219,757
Balance at end of year	998,277	1,055,686

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23. Deferred Income Taxes (Continued)

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

	2023 $'000	2022 $'000
Deferred tax assets to be recovered after more than 12 months	998,277	1,055,686
Deferred tax liabilities to be recovered after more than 12 months	-	-

Deferred income tax assets and liabilities are due to the following items:

	2023 $'000	2022 $'000
Deferred income tax assets -		
Post-employment benefit obligations	394,622	288,417
Loan loss provision	-	6,134
Provision	17,793	13,169
Property, plant and equipment	240,817	187,329
Investment securities	311,807	508,125
Other	74,186	52,512
	1,039,225	1,055,686
Deferred income tax liabilities -		
Loan loss provision	(40,948)	-
Net deferred tax asset	998,277	1,055,686

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current assets against current liabilities and when the deferred income taxes relate to the same fiscal authority.

The movement in deferred tax assets and liabilities is as follows:

	Accelerated tax depreciated $'000	Fair value gains $'000	Loan loss provision $'000	Provision $'000	Post-employment benefits $'000	Other $'000	Total $'000
At 31 December 2021	182,893	131,626	(166,389)	8,518	411,672	33,349	601,669
Credited/(charged) to the income statement	4,436	(854)	172,523	4,651	34,341	19,163	234,260
Credited to other comprehensive income	-	377,353	-	-	(157,596)	-	219,757
At 31 December 2022	187,329	508,125	6,134	13,169	288,417	52,512	1,055,686
Credited/(charged) to the income statement	53,488	(8,612)	(47,082)	4,624	26,914	21,674	51,006
Charged to other comprehensive income	-	(187,706)	-	-	79,291	-	(108,415)
At 31 December 2023	240,817	311,807	(40,948)	17,793	394,622	74,186	998,277

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24. Other Assets

	2023 $'000	2022 $'000
Withholding tax recoverable with Government of Jamaica	647,239	572,269
Prepayments	455,658	555,950
Property, plant and equipment deposits	1,176,070	345,813
Customer settlement accounts	31,069	34,059
Legal claim (Note 43)	53,686	53,686
Credit card suspense	252,492	282,152
Broker receivables	365,082	793,036
Other	211,590	431,099
	3,192,886	3,068,064

25. Borrowings, Due to Banks and Other Financial Institutions

	Currency	Rate %	2023 $'000	2022 $'000
Secured Long Term Loans				
Development Bank of Jamaica Limited				
Repayable over varying periods from 6 months to 118 months	JMD & USD	Various	1,037,922	1,269,365
National Housing Trust	JMD	Various	772,098	630,078
			1,810,020	1,899,443
Short Term Loans				
Bank of Nova Scotia Jamaica Limited	JMD	8.75	1,000,000	1,000,000
			2,810,020	2,899,443
Interest Payable			1,755	1,356
Total secured borrowings			2,811,775	2,900,799
Unsecured				
International Finance Corporation (IFC)	USD	8.33	-	6,040,328
Interest payable			-	65,722
Total unsecured borrowings			-	6,106,050
Total Borrowings, Due to Banks and Other			2,811,775	9,006,849

The Bank has not had any defaults of principal, interest or other breaches with respect to its liabilities during 2023 and 2022.

(a) Development Bank of Jamaica Limited

The agreement with the Development Bank of Jamaica Limited (DBJ) allows DBJ, at its absolute discretion, to approve financing to the Bank for on-lending to farmers, other agricultural projects and development projects on such terms and conditions as DBJ may stipulate

Funds disbursed to the Bank bear interest at DBJ's lending rate prevailing at the date of approval of each disbursement unless otherwise varied by DBJ and are extended to the clients a maximum spread as stipulated by DBJ.

25. Borrowings, Due to Banks and Other Financial Institutions (Continued)

(b) National Housing Trust

On September 15, 2023, the Bank partnered with the National Housing Trust (NHT) through the External Financining Mortgage Program (EFMP). Under the partnership agreement, NHT contributors are able to access their NHT loans directly from Sagicor Bank at the prevailing interest rate offered by NHT. These loans are for up to 40 years at rates ranging from 0% - 5%. The NHT reimburses the Bank for the differential in borrowing rates.

(c) International Finance Corporation

Unsecured two year facility with the option to renew after year one, June 4, 2023. The facility was not renewed.

(d) Bank of Nova Scotia

Included in borrowings, due to banks and other financial institutions are $1,000,000 (2022 - $1,000,000,000) which is a secured overnight facility and is regarded as cash equivalents for purposes of the statement of cashflows.

Fair value

For the majority of the borrowings, the fair values are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

26. Provision

	2023 $'000	2022 $'000
Legal claim (Note 41)	53,686	53,686

27. Other Liabilities

	2023 $'000	2022 $'000
Accruals	805,504	508,054
Customer settlement accounts	141,191	269,162
Items in the course of payment (Note 14)	636,596	445,633
Staff related payables	77,411	40,821
Stale dated cheques	568,910	537,439
Withholding tax payable	41,075	31,997
Credit card settlement accounts	175,681	22,773
Accounts payables	1,474,102	357,830
Other	379,600	331,362
	4,300,070	2,545,071

28. Share Capital

The total authorised number of ordinary stock units is 4,271,640,000 (2022: 4,271,640,000), of which 4,241,887,000 (2022: 4,241,887,000) was issued and fully paid.

The stock units in 2023 and 2022 are stated in these financial statements without a nominal or par value.

Pursuant to court approved scheme of arrangement dated December 2015 the Bank's authorized share capital was cancelled and reissued to facilitate the elimination of accumulated deficit and the simplification of capital structure. Share capital denominated in JMD, USD including ordinary and non-redeemable non-cumulative preference shares were cancelled. As at the same date these shares were subsequently reissued to existing shareholders' as one class JMD denominated ordinary shares totaling $8,400,000,000. The remaining portion along with other capital reserves were issued to eliminate the accumulated deficit that existed on said date.

29. Fair Value Reserve

This represents the unrealised (loss)/surplus on the revaluation of Financial assets at FVOCI, net of deferred taxation.

30. Loan Loss Reserve

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

The loan loss reserve is determined as follows:

	2023 $'000	2022 $'000
Provision for credit losses determined under IFRS -		
Loans (Note 17)	1,497,857	1,508,762
The provision for credit losses determined under regulatory requirements -		
Specific provision	1,272,279	1,141,939
General provision	1,247,981	1,135,944
	2,520,260	2,277,883
Excess of regulatory provision over IFRS provision reflected in a non-distributable loan loss reserve	1,022,403	769,121

31. Reserve Fund

This fund is maintained in accordance with the Banking Services Act, 2014, which requires that a minimum of 15% of the net profit of the Bank as defined by the Act be transferred annually to the reserve fund until the amount of the fund is 50% of the paid-up share capital of the Bank, and thereafter 10% of the net profit until the amount of the fund is equal to the paid-up capital of the Bank.

During the year the Bank transferred $1,101,063,000 (2022 - $1,274,958,000) from retained earnings to the reserve fund.

The deposit liabilities of the Bank and other indebtedness for borrowed money together with all interest accrued should not exceed twenty times its capital base.

32. Capital Reserve

	2023 $'000	2022 $'000
Realised capital gain on disposal of subsidiary	309,465	309,465

33. Capital Redemption Reserve

	2023 $'000	2022 $'000
7.75% cumulative redeemable preference shares redeemed	2,061,500	2,061,500

The provisons of section 62 (1) (d) of The Companies Act 2004, require the transfer from profit to the capital redemption reserve fund a sum equal to the amount of the redeemable preference shares redeemed otherwise than out of the proceeds of a fresh issue.

34. Retained Earnings Reserve

Section 42 of The Banking Services Act, 2014 permits the transfer of any portion of the Bank's net profit to a retained earnings reserve. This reserve constitutes a part of the capital base for the purpose of determining the maximum level of deposit liabilities and lending to customers. Transfers to the retained earnings reserve are made at the discretion of the Board; such transfers must be notified to the Bank of Jamaica.

35. Merger Reserve

This represents the fair value of the net assets of RBC Royal Bank Jamaica Limited acquired in 2014. The amounts were recorded at historical cost on acquisition to comply with the Banking Services Act. The amount is broken down as follows:

	2023 $'000	2022 $'000
Revaluation gains on property, plant & equipment	106,664	106,664
Customer relationship	597,975	654,925
	704,639	761,589

During the year, $113,900,000 (2022 - $113,900,000) was transferred to retained earnings representing realised amounts.

36. Dividends

During the year, the Bank declared and paid dividends of $1,800,000,000 (2022 – $3,200,000,000). This represents dividend per share of $0.42 (2022 - $0.75).

37. Fiduciary Activities

The Bank provides custody, trustee, corporate administration, investment management and advisory services to third parties which involve the Bank making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements. As at 31 December 2023, the Bank earned fees for these activities of $9,137,000 (2022 - $4,259,000).

38. Fair Value of Financial Instruments

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

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

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

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

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

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. This category includes certain unquoted equity securities.

The valuation of unquoted equity instruments is subjective by nature. The determination of the fair values of unquoted equity securities requires the use of a number of individual pricing benchmarks which would involve unobservable inputs, such as earnings estimates, multiples of comparative companies, marketability discounts and discount rates. The Bank's holdings of unquoted equity instruments are not significant and, therefore, the effects of using reasonably possible alternative valuation assumptions would not be material.

38. Fair Value of Financial Instruments (Continued)

The table below summarises the financial assets presented on the Bank's statement of financial position at their carrying amount and fair value

	Carrying Value 2023 $'000	Fair Value 2023 $'000	Carrying Value 2022 $'000	Fair Value 2022 $'000
Financial Assets				
Loans, net of provision for credit losses	119,062,227	116,887,114	108,099,490	106,827,003
Financial Liabilities				
Customer deposits	160,325,329	160,672,733	148,552,158	148,557,775
Borrowings, due to banks and other financial institutions	2,811,775	2,774,868	9,006,849	9,017,816
Securities sold under repurchase agreement	3,312,997	3,312,997	5,369,688	5,369,688

	2023			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial Assets				
Investment securities	-	32,755,871	6,034	32,761,905
Pledged assets	-	4,946,941	-	4,946,941
	-	37,702,812	6,034	37,708,846

	2022			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial Assets				
Investment securities	-	32,563,205	6,034	32,569,239
Pledged assets	-	6,535,118	-	6,535,118
	-	39,098,323	6,034	39,104,357

There was no movement in the Bank's financial assets classified as Level 3 during the year.

The fair values for all other financial instruments approximate their carrying values and also fall within Level 2 based on the following:

- The fair value of liquid assets and other assets maturing within one year (such as cash and balances at Central Banks and amounts due from other banks) is assumed to approximate their carrying amount. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities;
- The fair value of borrowings, due to banks and other financial institutions, customer deposits and other accounts, other liabilities, due to related companies and demand deposits and savings accounts with no specific maturity is assumed to be the amount payable on demand at the date of the statement of financial position;
- The fair value of variable rate loans is assumed to approximate their carrying amounts and management does not believe that, after deduction of provision for credit losses, there is any significant difference between the fair value of fixed rate loans and their carrying values as interest rates approximate current market rates offered on similar loans.

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39. Contingent Liabilities and Commitments

(a) Legal proceedings

(b) Contingent liabilities and commitments

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

At 31 December 2023	No later than 1 year $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Loan commitments	11,192,560	1,945,367	905,664	14,043,591
Guarantees, acceptances and other financial facilities	4,751,966	4,550	1,508,653	6,265,169
Operating lease commitments	33,246	-	-	33,246
	15,977,772	1,949,917	2,414,317	20,342,006
At 31 December 2022				
Loan commitments	11,557,804	2,523,253	94,268	14,175,325
Guarantees, acceptances and other financial facilities	3,413,681	889,319	1,508,453	5,811,453
Operating lease commitments	33,246	-	-	33,246
	15,004,731	3,412,572	1,602,721	20,020,024

Lease payments, including maintenance, during the year were $100,102,886 (2022 - $167,659,034).

The Bank is contingently liable in respect of offshore standby letters of credit amounting to US$18,910,000 (2022: US$17,155,000) with one correspondent bank.

40. Stock Options

Details of the stock options outstanding are as follows:

	Number of stock options 2023 '000	Weighted average exercise price 2023 $	Number of stock options 2022 '000	Weighted average exercise price 2022 $
Balance at beginning of year	1,618	35.90	1,663	26.54
Granted	408	57.44	463	51.88
Exercised	-	-	(508)	19.83
Options outstanding	2,026	40.24	1,618	35.90
Exercisable at the end of the year	1,258	42.27	970	41.75

Stock options outstanding at the end of the year for the Bank have the following expiry date and exercise price:

Expiry date	Exercise price	No. of stock options 2023 '000	No. of stock options 2022 '000
31 March 2024	$23.65	42	-
31 March 2025	$34.10	51	42
31 March 2026	$36.45	285	51
31 March 2027	$39.99	399	285
31 March 2028	$52.40	378	399
31 March 2029	$51.88	463	378
31 March 2030	$57.44	408	463
		2,026	1,618

For options outstanding at the end of the year, the exercise price ranges from $23.65 - $57.44 (2022 - $10.49-$51.88). The weighted average remaining contractual term to expiry is 4 years (2022 – 4 years).

Options for stock units were exercised during the current year 2023 –Nil (2022 – 508,000). The weighted average stock unit price at the date of exercise for options exercised during the year was Nil (2022 - $19.83).

The stock options reserve balance at the year end represents the accumulated fair value of services provided by employees in consideration for shares, as measured by reference to the fair value of the shares for outstanding options. The fair value of the options at the year end is measured at the grant date using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the instruments were granted. The services received and a liability to pay for those services is recognised over the expected vesting period. The significant inputs into the model were weighted average stock unit prices at the grant date, exercise price shown above; standard deviation of expected share price returns, option life disclosed above, and annual average risk free interest rate. The expected volatility is based on statistical analysis of daily stock unit prices over one year.

The Bank recognised cumulative expenses of $5,437,000 (2022 - $16,073,000) as stock options expense of which $5,051,000 (2022 - $9,179,000) was recognised in the income statement during the year.

The company provides share grants to executives based on the performance of the Group. Shares granted during the year were 519,382 (2022 – 504,149). The prices are based on the trading price on the Jamaica Stock Exchange.

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41. Litigation

On March 17, 2014 the Supreme Court of Jamaica granted judgement in favour of a claimant in a case brought against Sagicor Bank Jamaica Limited (formerly RBC Royal Bank Jamaica Limited). This claim pre-dated the acquisition of control of the Bank by Sagicor Group Jamaica Limited, and also pre-dated the acquisition of control of the Bank by RBTT from Financial Sector Adjustment Company ("FINSAC") in 2001. By virtue of the Share Sale Agreement entered into between Finsac, RBTT Financial Holdings Limited and RBTT International Limited, Finsac agreed to fully indemnify RBTT International Limited against any loss the bank may suffer in this matter. As the current owner of Sagicor Bank Jamaica Limited, Sagicor Group is the current beneficiary of the Indemnity. The Indemnity from Finsac is further supported by a Government of Jamaica Guarantee on a full indemnity basis.

Sagicor appealed the Supreme Court decision and Judgment was delivered on July 31, 2018 which ruled that the award previously awarded to the Claimant be reduced with costs to the Claimant subject to an accounting exercise to determine the apportionment of costs between the parties. This reduced award took into account lower interest rates applying simple interest rather than compounding interest. The issue of costs remains to be determined by the courts following a subsequent application to amend the judgment which was delivered in January 2019. The amount previously awarded to the Claimant has been recorded as payable to the claimant with accrued interest and correspondingly receivable from Finsac/Government of Jamaica.

On July 1, 2019 the Claimant filed an application for conditional leave to appeal to the Privy Council on the issue of interest with final leave to appeal being granted by the Court of Appeal on October 26, 2020.

The Privy Council heard the matter in May 2022 and delivered its judgment December 8, 2022. They invited the parties to make submissions as to costs. The Privy Council ordered on March 2, 2023 that an interim payment of £100,000.00 be made to the claimant which was duly paid by the Government of Jamaica. We await the Privy Counsel's decision regarding the computation of the substantive award to the claimant.

42. Offsetting Financial Assets and Financial Liabilities

(a) Financial assets

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

	2023						
					Related amounts not set off in the statement of financial position		
	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Impact of master Netting Agreements	Cash collateral	Financial instruments collateral	Net Amount
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
ASSETS							
Cash and balances due from other financial institutions	20,318,410	-	20,318,410	-	-	-	20,318,410
Cash reserves at Bank of Jamaica	14,467,076	-	14,467,076	-	14,467,076	-	-
Securities purchased under agreements to resell	1,033,528	-	1,033,528	-	-	1,033,528	-
Investment securities	32,761,905	-	32,761,905	-	-	-	32,761,905
Loans, net of provision for credit losses	119,062,227	-	119,062,227	-	-	-	119,062,227
Pledged assets	4,946,941	-	4,946,941	-	-	4,946,941	-
Due from related companies	15,590	-	15,590	-	-	-	15,590
Other assets	3,192,886	-	3,192,886	-	-	-	3,192,886
	195,798,563	-	195,798,563	-	14,467,076	5,980,469	175,351,018

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42. Offsetting Financial Assets and Financial Liabilities

(a) Financial assets (continued)

	2022						
					Related amounts not set off in the statement of financial position		
	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Impact of master Netting Agreements	Cash collateral	Financial instruments collateral	Net Amount
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
ASSETS							
Cash and balances due from other financial institutions	21,430,388	-	21,430,388	-	-	-	21,430,388
Cash reserves at Bank of Jamaica	12,091,812	-	12,091,812	-	12,091,812	-	-
Securities purchased under agreements to resell	4,329,193	-	4,329,193	-	-	4,329,193	-
Investment securities	32,569,239	-	32,569,239	-	-	-	32,569,239
Loans, net of provision for credit losses	108,099,490	-	108,099,490	-	-	-	108,099,490
Pledged assets	6,535,118	-	6,535,118	-	-	6,535,118	-
Due from related companies	33,620	-	33,620	-	-	-	33,620
Other assets	3,068,064	-	3,068,064	-	-	-	3,068,064
	188,156,924	-	188,156,924	-	12,091,812	10,864,311	165,200,801

(b) Financial liabilities

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

	2023						
					Related amounts not set off in the statement of financial position		
	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Impact of master Netting Agreements	Cash collateral	Financial instruments collateral	Net Amount
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
LIABILITIES							
Customer deposits and other accounts	160,325,329	-	160,325,329	-	-	-	160,325,329
Securities sold under agreement to repurchase	3,312,997	-	3,312,997	4,946,941	-	-	(1,633,944)
Borrowings,due to banks and other financial institutions	2,811,775	-	2,811,775	-	-	-	2,811,775
Due to related companies	17,167	-	17,167	-	-	-	17,167
Other liabilities	4,300,070	-	4,300,070	-	-	-	4,300,070
	170,767,338	-	170,767,338	4,946,941	-	-	165,820,397

42. Offsetting Financial Assets and Financial Liabilities (Continued)

(b) Financial liabilities (continued)

	2022						
				Related amounts not set off in the statement of financial position			
	Gross amounts of financial assets	Gross amounts set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Impact of master Netting Agreements	Cash collateral	Financial instruments collateral	Net Amount
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
LIABILITIES							
Customer deposits and other accounts	148,552,158	-	148,552,158	-	-	-	148,552,158
Securities sold under agreement to repurchase	5,369,688	-	5,369,688	6,535,118	-	-	(1,165,430)
Borrowings,due to banks and other financial institutions	9,006,849	-	9,006,849	-	-	-	9,006,849
Due to related companies	16,511	-	16,511	-	-	-	16,511
Other liabilities	2,545,071	-	2,545,071	-	-	-	2,545,071
	165,490,277	-	165,490,277	6,535,118	-	-	158,955,159

43. Leases

(a) Amounts recognised in the statement of financial position shows the following amounts relating to leases:

	2023 $'000	2022 $'000
Right-of-use assets - Buildings at the start of the year	733,997	896,486
Additions	455,376	-
Depreciation	(202,507)	(162,489)
Net book value	986,866	733,997
Lease liabilities		
Current	215,584	118,369
Non-current	950,408	736,374
	1,165,992	854,743

Additions to the right-of-use assets during the 2023 financial year were $455,376,791 (2022: $ NIL).

(b) Amounts recognized in the income statement shows the following amounts relating to leases:

	2023 $'000	2022 $'000
Depreciation charge of right-of-use assets - Buildings	202,507	162,489

	2023 $'000	2022 $'000
Interest expense (included in Interest and other interest expense)	75,787	64,517
Expense relating to short-term leases (included in administration expenses)	33,246	24,875

The total cash outflow for leases was $100,102,886 (2022- $167,659,034).

43. Leases (Continued)

(c) Extension and termination options

Extension and termination options are included in a number of property leases across the company. These are used to maximise operational flexibility in terms of managing the assets used in the company's operations. The majority of extension and termination options held are exercisable only by the company and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

As at 31 December 2023, potential future cash outflows of $33,246,000 (2022- $24,875,000) (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

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

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