50th JMB ANNIVERSARY
JAMAICA MORTGAGE BANK
"Building a New Foundation"
1971-2021



2023 ANNUAL REPORT

April 2022 - March 2023

JAMAICA MORTGAGE BANK

info@jmb.gov.jm | www.jmb.gov.jm

Financing Safe and Affordable Housing Solutions
Fulfilling the Dream of Home Ownership.

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Letter of Transmittal

July 1, 2023
Most Honourable Andrew Holness, ON, PC, MP
Prime Minister and Minister of Economic Growth and Job Creation
c/o Office of the Prime Minister
1 Devon Road
Kingston 10

Dear Prime Minister Holness,

In accordance with Section 15 (1) of the Jamaica Mortgage Bank Act, No. 16 of 1972, I have the honour of transmitting herewith the Bank's Report for the year ended March 31, 2023 and a copy of the Statement of the Bank's Accounts as at March 31, 2023, duly certified by the Auditors.

Yours respectfully,

....

Mr. Michael Shaw
Chairman
Board of Directors

Corporate Information

REGISTERED OFFICE

33 Tobago Avenue
PO Box 950, Kingston 5, Jamaica

AUDITORS

Ernst & Young
8 Olivier Road, Kingston 8

BANKERS

Sagicor Bank Jamaica Limited
17 Dominica Drive, Kingston 5

National Commercial Bank
1 Knutsford Boulevard, Kingston 5

ATTORNEYS-AT-LAW

Myers Fletcher & Gordon
21 East Street, Kingston

Hart Muirhead Fatta
53 Knutsford Boulevard, Kingston 5

Samuda & Johnson
2-6 Grenada Crescent , Kingston 5

Livingston Alexander & Levy
72 Harbour Street, Kingston

Social Media

@jamortgagebank

jamaicamortgagebank

JAMAICA MORTGAGE BANK

"BUILDING A NEW FOUNDATION"

1971 - 2021

VISION

To finance safe and affordable housing so that all Jamaicans will have access to home ownership.

MISSION STATEMENT

To be a profitable organization mobilizing financial resources for on-lending to public and private sector developers and financial institutions, developing an active secondary mortgage market and providing mortgage indemnity insurance in support of the national settlement goal.

RESPECT

We give due regard to the rights of all our stakeholders

ACCOUNTABILITY

We hold ourselves responsible for all decisions and actions taken within the organization

INTEGRITY

We believe in honesty and are guided by strong moral principles

SERVICE-ORIENTED

We strive to provide satisfaction and are always available to our stakeholders

EXCELLENCE

We are committed to being the best in our Industry

The Jamaica Mortgage Bank (JMB) was established in 1971 as a limited liability company and was converted to a Statutory Corporation by an Act of Parliament in 1973.

The main objective of the Bank is to foster the development of housing islandwide through:

a) The mobilization of loan funds for on-lending to developers and other lending institutions.
b) The operation of a secondary mortgage market facility.
c) The provision of mortgage insurance services as set out in the Mortgage Insurance Act.

Based on the Jamaica Mortgage Bank Act, and in order to increase its scope of activities, the Jamaica Mortgage Bank may carry out the following activities:

- Guarantee loans made from private investment sources for building developers;
- Sell investments of whatever kind when appropriate; lend money on security to be used for the construction of premises for private residential purposes or of a commercial or industrial nature;
- Lend money on mortgages and carry out any other transaction involving mortgages;
- Furnish financial advice and provide or assist in obtaining managerial, technical and administrative services for persons engaged in building development in Jamaica.

The Bank's current operations fall into the following categories:

PRIMARY MARKET
The granting of short-term financing for construction and infrastructure development.

SECONDARY MARKET
The buying of mortgages and securitizing into Mortgage Backed Securities (MBS) for sale on the capital markets.

MORTGAGE INSURANCE
The insuring of residential and commercial mortgage loans.

DIASPORA HOME BUILDING SERVICE
The provision of project management services to persons from the diaspora desirous of building a home in Jamaica.

TECHNICAL SUPPORT SERVICE
The provision of project management assistance to financial institutions lending to developers for housing or commercial construction.

2023 Strategic Highlights

JAMAICA MORTGAGE BANK
"BUILDING A NEW FOUNDATION"
1971 - 2021

PERFORMANCE HIGHLIGHTS

TOTAL INCOME MILESTONE: $637M

COMMITMENTS OF $1.0B

DISBURSEMENTS OF $2.4B

LOAN PORTFOLIO 21% INCREASE

TOTAL PORTFOLIO $5.4B

MORTGAGE INDEMNITY INSURANCE

261 NEW UTIs $495M

JAMAICA MORTGAGE BANK
50th ANNIVERSARY
"BUILDING A NEW FOUNDATION"
1971 - 2021

Social Media Summary

654 New Page Likes
42 New Page Posts

550 Followers
73,500 Tweet Impressions

456 Followers
48 New Posts

Website Updated For The Year

Board Of Director's Report

The 2022 / 2023 fiscal year saw the beginning of the recovery from two years of the COVID-19 pandemic.

The housing sector was significantly affected by construction material costs escalation up to as high as 127.0 per cent. The Jamaica Mortgage Bank (JMB or the Bank) was faced with funding cost variations and overruns as a result of these fluctuations. Although many lending institutions sought to tighten credit and liquidity as a fallout of the COVID-19 shock, the construction sector remained robust and resilient. Amidst funding challenges, the Bank's strategy during the year was to continue its Primary Market lending policies to the residential sector, while applying more robust risk management strategies on existing housing projects to ensure successful completion and repayment of loans.

As a result, the Bank's performance for the year was mixed, it however continued to effectively execute its mandate of facilitating affordable housing solutions for Jamaicans.

With that said, the Bank also continued to operate in an increasingly competitive and challenging construction financing market. Despite the difficulties brought on by COVID-19, and the competitive environment, the Bank continued to play its part in holding up the construction sector and remained a market leader in the space.

The Board of Directors is therefore pleased to present the Bank's Annual Report for the financial year ended March 31, 2023.

Economic Overview

Growth: In its latest World Economic Outlook (WEO) of May 2023, the Chief Economics outlook stated that "Broad-base growth remains elusive."

The WEO goes on to state that, "While there are signs of nascent optimism in the latest survey of chief economists, it also reveals striking uncertainty about the trajectory of the world economy..."

It also states that "...the banking disruption of March 2023 has caused tremors in the global outlook".

The International Monetary Fund (IMF) further predicts global economic growth of 2.8 per cent this year and annual average growth of around 3.0 per cent over the next 5 years.

In regard to inflation, the WEO "...increased its inflation forecast for 2023 from 6.6 per cent to 7.0 per cent." The latest survey of chief economists also registers a gloomier inflation outlook compared to the January 2023 edition, with a marked uptick across all regions in the proportion of respondents expecting high, and in some cases very high.

Jamaica Growth Outlook: Despite the cautious predictions by the WEO and the IMF regarding the global economy, Jamaica experienced better than expected economic growth. The Planning Institute of Jamaica (PIOJ) reported in its First Quarter 2023 News Release that the economy grew by 2.7 per cent when compared to the similar quarter of 2022. This was attributed to a growth of 3.8 per cent and 0.7 per cent respectively in the Services and Goods Producing industries.

This growth was spurred by a return of the Tourism sector resulting in a 30.8 per cent increase in the Hotels and Restaurants sector and a 95.9 per cent increase in the Mining and Quarrying activities attributable to the easing of the Covid-19 pandemic restrictions which included the withdrawal of the Disaster Risk Management Act (DRMA) measures in March 2022. According to the PIOJ, **The Jamaican economy was forecasted to grow by 4.3 per cent in the 2022/2023 year compared to 2021/2022 year. This was in comparison to the global projection of 3.0 per cent.**

The table below was extracted from the Quarterly Gross Domestic Product, January – March 2023, and projections for fiscal year 2022 / 2023, published by the PIOJ.

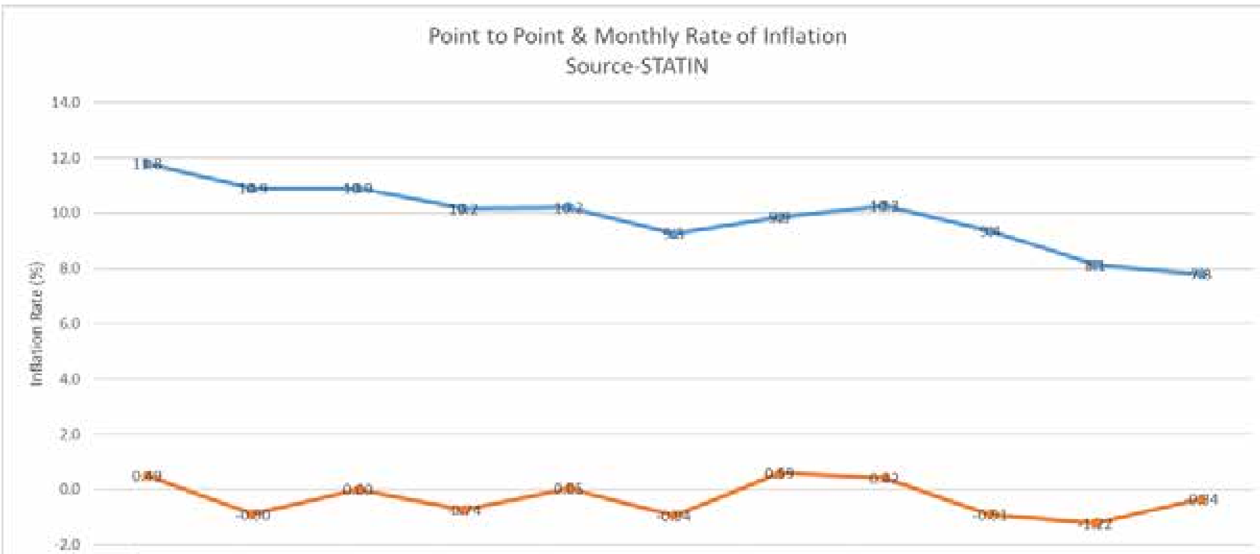
REAL VALUE ADDED IN THE GOODS PRODUCING INDUSTRIES (%)

	Jan-Mar 2022	Apr-Jun 2022	Jul-Sep 2022	Oct-Dec 2022	Jan-Mar 2023	Projection 2023 vs 2022
Goods Producing Industry	0.6	-1.9	5.4	4.7	-0.7	1.8
Agriculture, Forestry & Fishing	8.4	6.4	16.3	5.9	-7.6	4.8
Mining & Quarrying	-60.0	-62.5	-27.6	99.0	95.9	-2.3
Manufacturing	4.4	5.7	9.4	5.4	0.7	5.3
Construction	3.5	-5.2	-3.1	-4.8	-4.0	-4.2

30-May-23 Planning Institute of Jamaica

Importantly, per the PIOJ, although the Jamaican economy was projected to grow by 4.3 per cent in 2022/2023, construction was forecasted to contract by 4.2 per cent. Likewise, Mining & Quarrying was predicted to contract by 2.3 per cent. In fact, the construction sector showed four consecutive quarters of contraction.

Employment: The Statistical Institute of Jamaica (STATIN) July 2022 Labour Force report stated an overall 6.6 per cent unemployment rate compared to 9.0 per cent in April 2021. For the same period, male and female unemployment rates were 5.2 per cent and 8.2 per cent, respectively. Youth (up to 24 years) unemployment for male and female were 17.3 per cent and 16.0 per cent respectively. It should be noted that unemployment among female youth was reported lower than male. In general, females are closing the unemployment gap compared to previous years.

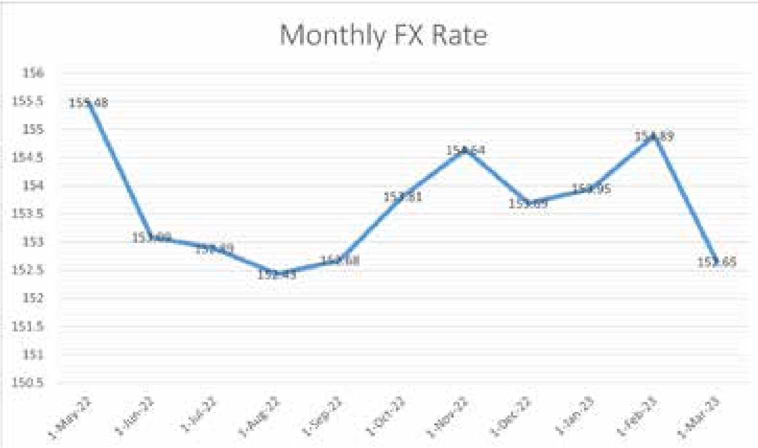


	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23
Outturn	11.8	10.9	10.9	10.2	10.2	9.3	9.9	10.3	9.4	8.1	7.8
% Inflation	0.49	-0.90	0.00	-0.74	0.05	-0.94	0.59	0.42	-0.91	-1.22	-0.34

Inflation: The Bank of Jamaica's (BOJ) Monetary Policy Committee (MPC) at its meetings held on the 25th and 28th March 2022, noted that inflation continued to breach the upper limit of the BOJ's target range of 4 to 6 per cent. It noted that there was an increased level of uncertainty given the Russia and Ukraine war which has led to significantly increased commodity prices which in turn has contributed to the rise in domestic inflation and inflation expectations. The Committee further noted that given its monetary policy adjustments resulting in increasing interest rates in the money market and thus a tightening of liquidity, interest rates on new bank loans had only risen marginally. It also outlined that within the context of its intervention in the foreign exchange market and the tightening of liquidity, the exchange rate had also reflected greater stability relative to the recent past. Additionally, the BOJ's international reserves had also remained strong, which underpins its capacity to support the foreign exchange market when necessary. In keeping with its efforts at limiting the second-round effects of the ongoing and protracted commodity price shocks and guide inflation back to the target range over the next two years.

To manage the inflationary environment, the MPC increased the policy rate for several quarters by 50bps to currently 7.0 per cent.

As for the statistics reported by STATIN's March 2023 release, the Consumer Price Index (CPI) increased by 0.5 per cent for February 2023. This was mainly influenced by a 2.7 per cent increase in the index for the division 'Housing, Water, Electricity, Gas and Other Fuels.' The increase

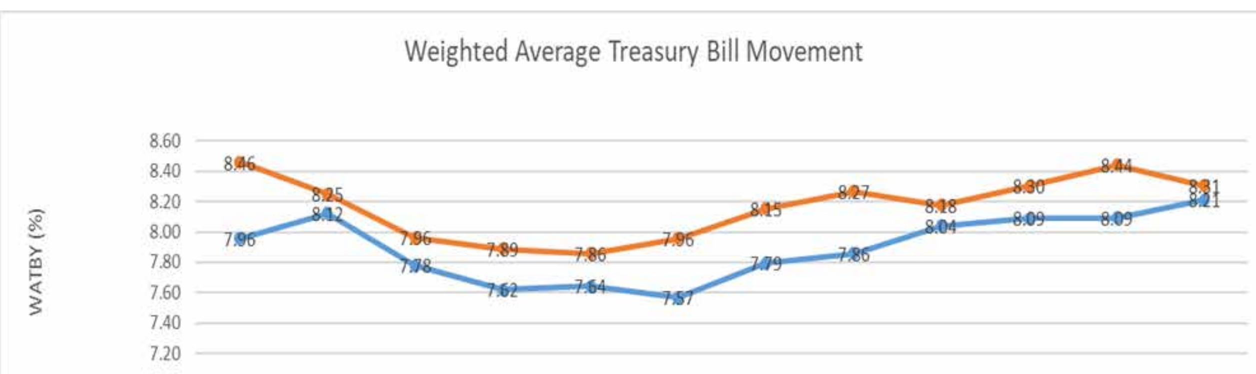


in the index for the division 'Housing, Water, Electricity, Gas and Other Fuels' was impacted by higher electricity rates which resulted in a 7.4 per cent rise in the index for the group 'Electricity, Gas and Other Fuels'. There was a negligible decline in the heavily weighted 'Food and Non-Alcoholic Beverages' division as prices continued to fall for items within the class 'Vegetables, tubers, plantains, cooking bananas and pulses', by 2.4 per cent. This was however at a slower rate when compared to the -5.8 per cent that was recorded for the previous month, January 2023. The point-to-point inflation rate as of February 2023 was 7.8 per cent. This was influenced mainly by the point-to-point inflation rate for the divisions: 'Food and Non-Alcoholic Beverages' (11.3 per cent), Restaurants and Accommodations Services' (15.6 per cent) and 'Housing, Water, Electricity, Gas and Other Fuels' (3.7 per cent).

Exchange Rate (FX): The Jamaican Dollar (JMD) appreciated by approximately $2.63 or 1.7 per cent, from April 2022 to March 2023 compared to the United States Dollar (USD). The FX rate between both currencies has been stable in more recent periods. The United States is Jamaica's largest trading partner.

Net International Reserves (NIR): The year-over-year (YoY) NIR for March 2023, which stood at US$4,152.4 million was approximately US$476.5 million or 13.0 per cent higher than the value at quarter ended March 2022 (US$3,675.8 million). The reserve as of March 2023 can support 38.8 weeks of goods imported and 26.1 weeks of goods and services imported.

Interest Rate: Interest Rate on the benchmark Six-Month Treasury Bill (T-Bill) decreased from 8.4 per cent in April 2022 to 8.31 per cent at the



	30-Apr-22	31-May-22	30-Jun-22	31-Jul-22	31-Aug-22	30-Sep-22	31-Oct-22	30-Nov-22	31-Dec-22	31-Jan-23	28-Feb-23	31-Mar-23
3 MONTHS (88-93 DAYS)	7.96	8.12	7.78	7.62	7.64	7.57	7.79	7.86	8.04	8.09	8.09	8.21
6 MONTHS (179-186 DAYS)	8.46	8.25	7.96	7.89	7.86	7.96	8.15	8.27	8.18	8.30	8.44	8.31

end of March 2023. However, there was a YoY increase in the 90-day T-Bill interest rates, by approximately 25 basis points. As at March 31, 2023, both the 180-day and 90-day T-Bill rates were converging, indicating a tightening of liquidity in the financial markets.

COVID-19 Statement

During 2022/2023, the Bank returned to normal operations, while still observing the COVID-19 preventative protocols. The Bank also continued to utilize its virtual operating platforms to conduct its business. Staff were allowed to work from home, periodically. As anticipated, the value chain of the local construction sector was affected resulting in delays in collections and by extension timing of cash flows and funding challenges.

Construction Sector and Housing Sub-Sector

The mandated commitment of the Government of Jamaica to provide safe, affordable, adequate and legal housing for all Jamaicans continued. This commitment is underpinned by the National Housing Policy and Implementation Plan being the first to be tabled in both Houses of Parliament in the last quarter of 2022/2023 as a White Paper post-Independence, which was a major milestone in our history. The National Housing Policy and Implementation Plan supports the delivery of housing through various modalities, including ownership, rental housing, emergency housing, social housing, and rent-to-own arrangements, and addresses issues such as affordability, housing supply, social housing, squatting, the natural environment, and the legislative framework (Sectoral Presentation by Hon. C. Everald Warmington, 2023). The policy seeks to address issues related to access to finance, improving the supply of housing options and enhancing affordability, while integrating climate resilience and sustainable building practices in designs and construction.

The government remained resolute in its plan to significantly increase the housing stock so that more Jamaicans, particularly, low to middle-income earners, may have access to housing. As such, the government is leading the charge in collaboration with private developers to produce new stock to meet the demand of 15,000 houses annually up to 2030. The Government of Jamaica (GOJ), through the Ministry of Housing and its various agencies such as the National Housing Trust (NHT), Housing Agency of Jamaica (HAJ) and the Jamaica Mortgage Bank (JMB), continues to implement different strategies, including public-private partnerships and various other arrangements with financial institutions, to increase the housing stock.

Prime Minister, the Most Hon. Andrew Holness, during his 2022/23 Budget Debate presentation in the House of Representatives outlined the government's planned housing starts for the next four years relative to its commitment to build 70,000 houses by 2026. With current developments, completed, under construction, in negotiations, budgeted, or in planning and design, the government has programmed 43,172 units of the 70,000 committed.

The Prime Minister indicated that the NHT has continued to focus on the increased deployment of its financial resources towards creating and financing housing solutions. A total of 92.0 per cent of the NHT's total assets is now invested in housing and in order to generate additional cash to accelerate housing developments, the

NHT has been undertaking sales of mortgage receivables under the Joint Finance Mortgage Portfolio (JFMP).

The sale of mortgage receivables resulted in inflows of $11.5 billion in this financial year following $26.2 billion in the previous financial year. The sale of the remaining portion of the JFMP was projected to be completed by the middle of the 2022/2023 financial year. Housing expenditure for the current fiscal year is projected at $50.4 billion, up from $48.2 billion in the previous year.

In an effort to significantly increase the supply of new housing solutions, the NHT reviewed financing options that would substantially increase the amount of funding available for new housing construction. The NHT has developed a new financing and product delivery framework. The new framework is an arrangement with Partner Mortgage Lending Institutions (regulated by the Bank of Jamaica) to fund the full mortgage disbursements to NHT contributors, including NHT mortgage benefits, up to $6.5 million per contributor. The disbursement including the NHT portion will be fully financed by the Partner Institution. The NHT will then pay directly to the Institution the difference between the interest rate charged by the Institution and the interest rate charged by the Trust.

The NHT will allow up to three (3) contributors to apply for a two-bedroom or larger unit to improve affordability. This change in policy position ensures that more people, particularly family members, can access housing. A key provision of this policy is that proof must be established that the applicants are bona fide family members, and have demonstrable kinship ties (for example, wives, husbands, children and siblings).

Urban Renewal and Development Programme

Urban decay has a negative impact on the socio-economic fabric of many communities. As such, the government allocated resources to Constituencies, Municipal Corporations, and two (2) Zones of Special Operations (ZOSOs) for the implementation of specific projects under the Urban Renewal and Development Programme. The projects focused primarily on zinc fence removal, waste management, establishment or enhancement of green spaces, tree planting, community/street signs, small parks, installation of solar lights, and general beautification of community spaces.

According to information contained in the Sectorial Presentation from the Ministry of Economic Growth and Job Creation in May 2023, a total of seventy (70) projects were approved for urban renewal activities in fifty-five (55) constituencies and nine (9) municipalities in 2022/2023. Additionally, six (6) projects were approved for implementation in two (2) ZOSOs – August Town and Savanna-La-Mar. In 2022, approval was granted for the implementation of the programme in six (6) constituencies at a cost of $36.4 million, with benefits accruing to approximately 400 Jamaicans.

New Social Housing Programme

The New Social Housing Programme (NSHP) was established in 2018. The initiative, which is a component of the broader Housing, Opportunity, Production and Employment (HOPE) Programme was developed to improve the housing condition of the poor and disadvantaged portion of the country's population by providing quality, affordable and sustainable housing. The programme is a beacon of hope for many indigent residents living across Jamaica who cherish the dream of being homeowners. The NSHP consists of three modalities: the provision of indigent housing; relocation of vulnerable communities, which gives priority to persons in imminent danger; and the upgrading of "tenement yards". As at April 2023, 523 Jamaicans across 48 constituencies have benefitted under the programme.

Social Housing Programme

The Social Housing Programme has similar objectives to the NSHP and is geared towards restoring human dignity amongst the indigent and those living in substandard conditions. According to information contained in the Ministry of Economic Growth and Job Creation Sectorial Presentation in May 2023, hundreds of Jamaicans benefitted from the program during the 2022/2023 financial year with grants totaling approximately $40.3 million being disbursed.

Systematic Land Registration Programme (SLRP)

According to the Jamaica Information Service, approximately 40.0 per cent of land parcels in Jamaica were unregistered. The National Land Agency (NLA), through the Systematic Land Registration (SLR) process, was seeking to reduce that number and extend property rights to more citizens. The NLA was charged with the responsibility for the administration of the SLRP and has a mandate to issue 20,000 land titles in three years. It sought to increase land registration levels across the island which would provide citizens the opportunity to access credit by utilizing their land as collateral. Since its implementation, it has afforded many citizens the opportunity to acquire legal ownership of their land, and by extension, to improve their standard of living.

As at December 31, 2022, the Adjudication Services Division of the NLA has investigated more than 7,000 parcels of land in St. Elizabeth, over 300 in Manchester and over 8,000 parcels of land in St. Catherine, resulting in the issuance of more than 8,000 Adjudication Certificates.

Mortgage Rates

For the period under review, the mortgage sector remained active despite an increase in lending rates. The Bank of Jamaica (BOJ) reported rates averaging 6.94 per cent and 7.12 per cent as at March 2022 for Commercial Banks and Building Societies respectively. However, the BOJ increased its Monetary Policy Rate several times throughout the fiscal year, resulting in a rate change from 4.5 per cent in March 2022 to a high of 7.0 per cent as at March 31, 2023. This increase in the Monetary Policy Rate also saw an average increase in mortgage rates to 7.15 per cent and 7.30 per cent for Commercial Banks and Building Societies respectively as at March 31, 2023.

Rates are forecasted to further increase in the coming months based on the change in the Monetary Policy Rate as the BOJ implements measures in an effort to control the inflation rate. The expected new rates will impact both existing and new mortgagors resulting in higher monthly payments. With rates projected to average about 9.0 per cent, in the coming months, the volume of mortgages may be adversely impacted, as conditions for approval such as the ability to repay are examined. This is also within the context of significant increases in the cost of goods and services over the last year, which impact the disposable income of persons trying to qualify for mortgages.

Squatter Settlement

The Ministry continues to make significant strides in reducing squatting and its related challenges (Sectoral Presentation by Hon. C. Everald Warmington – 2023). Through the Census of Squatter Settlements initiative, the Ministry has collated data on nine (9) parishes or 290 settlements, with the remaining parishes to be completed in the 2023/2024 financial year. This data will inform appropriate intervention strategies to deal with squatting which has been a persistent issue for many years.

Settlements Confirmed During the National Squatter Survey by Parish
Source: Sectoral Presentation by Hon. C. Everald Warmington – 2023

Parishes	# Of Settlements
Clarendon	70
Manchester	3
St. Ann	40
St. Mary	29
Hanover	44
Trelawny	25
St. Elizabeth	27
Total	**290**

COVID-19 Impact on Housing Construction & the JMB

The economic fallout resulting from the COVID-19 pandemic, together with the Russia/ Ukraine conflict, continued to significantly affect the supply chain of many sectors, thereby resulting in increases in prices of construction inputs at all levels. This caused scheduling and cost escalation issues within the sector. However, there were some indications that prices of some items were retreating on the global markets.

Strategy and Performance

Given the realities of the above and being mindful of the need to contribute to the Government's mandate of 70,000 housing solutions, the Bank's strategy remained to successfully complete all projects under contract, while selectively approving triple A rated projects.

The Bank also continued its emphasis on operational readiness as at day one of Privatization and risk management.

During the 2022/2023 financial year, the Bank achieved five of its seven yearly high-level strategic objectives set out in 2018/2019. These were to ensure that the Bank was positioned to meet challenges, by using its strengths to maximize opportunities and achieve exponential growth, sustainable profitability while providing affordable housing. This broad mandate is measured by the extent to which the Bank achieves the following:

1. Dominance in a niche market by becoming the lender of choice for the small and medium sized (SME) developers' segment; **of the 20**

projects managed by the Bank in 2022/2023, 18 were with SME developers including new entrants to the sector.

2. Diversifying its income stream by introducing new and innovative products and services to the construction and mortgage sectors; **the Bank has developed an application to enter the construction and mortgage servicing space but has not yet launched the service.**

3. Because of 1) and 2) above, doubling the earnings portfolio (est. $4 billion to $5 billion) by 2022, to hedge against expected declines in the loans and investments yields attributable to reduced interest rates; **the Bank's loan portfolio has exceeded $5 billion, however, primarily from its core Primary Market business.**

4. Employing its proprietary risk management system to manage risk associated with projects undertaken by small and medium-sized developers; **this initiative was implemented throughout the Bank and is ongoing. Specifically, the risk management strategy was employed for multi-storey buildings.**

5. Maintaining laser-like focus on the management of the loan portfolio to reduce the occurrence of bad loans; **the Bank's non-peforming loan (NPL) portfolio as at March 2023 was 4.1 per cent, consistent with market.**

6. Raising equity capital through the GOJ divestment program using the modality of Initial Public Offer (IPO), effectively transitioning from a Statutory Corporation to a private enterprise; **the privatization process is managed by a third-party agency and supported by the JMB.**

7. Continuing the JMB's culture of strategic thinking that innovates big creative ideas that redound to the prosperity of the Bank and the Jamaican community; **the Bank continued to explore various partnerships, as it looked toward providing sector housing in the future.**

Overall Performance

For the 2022/2023 financial year, the growth trajectory of the Bank continued. Its core construction loan portfolio grew, resulting in a YoY increase in interest income and total revenues. Profits before tax (PBT) were lower than the prior year due to significantly higher interest cost on borrowing and a one-time write-off of $44.0 million attributable to Withholding Tax. When the results were normalized for the one-time adjustment, the Bank's PBT would be flat YoY.

The Bank also showed improvements in some key areas of operations, notably, asset and equity growth and NPL as a percentage of total loan portfolio.

The Bank started the year with a total number and value of projects under management of 20 and approximately $8.8 billion, respectively. At the end of the review period, the Bank had 14 projects valued at $7.0 billion under management, and six (6) completions. Commitments were $928.0 million, primarily representing organic funding for existing projects due to cost escalations.

The average loan size was $496.0 million to construct an average of 29 housing solutions. The Bank also disbursed approximately $2.4 billion to fund its commitments including the completion of approximately 94 solutions carried over from previous periods. Collections/reflows for the period were approximately $2.1 billion.

Given the inflationary pressures, management was able to contain administrative expenses (less one-time item) to 16.7 per cent above the 2021/2022 figures, compared to a YoY budget increase of 33.0 per cent. However, the Bank's overall performance marks the ninth consecutive year of pre-tax profits, thereby increasing value to the trajectory and upward valuation of the Bank.

For the 2022/2023 year, the Bank had direct borrowing of $1.3 billion, primarily through a revolving facility with the Mortgage Indemnity Fund (MIF) and a loan from the Development Bank of Jamaica (DBJ). The Bank also retired $300.0 million of bonds held with a financial institution.

As JMB continued its focus on "no new bad debt" strategy in 2023, it collected and recovered cash of over $88.2 million ($210.0 million, 2022) of its legacy bad debts during the financial year. The impact of the Expected Credit Loss (ECL) was a write-back of $22.0 million (-$20 million, 2022) which increased the Bank's profitability for the year.

Mortgage Indemnity Insurance (MII)

The Bank continued to experience an upward trend in the usage of the MII, resulting largely from the marketing of the benefits derived from the amendment of the Mortgage Insurance Act (MIA) 2014. This amendment allows for an increase from 90.0 per cent to 97.0 per cent in the amount of financing available through insured mortgage loans. The Bank had proactively removed the limit on the appraised value of residential properties covered and began to provide coverage for commercial properties with an appraised value of up to $100.0 million.

The Bank also changed the acceptable risk profile of potential home buyers by increasing the required Total Debt Service Ratio (TDSR) from 40.0 per cent to 45.0 per cent. The changes accommodated home purchasers with slightly higher risk profiles and expand access to mortgage financing to a wider cross-section of the market. This move also contributed to the increased number of Approved Financial Institutions using the plan, thereby driving an increase in applications.

During the year, the number of policies written under the MII increased by 25.1 per cent year over year with value of policy written increasing by 30.0 per cent. Further, the Bank has observed the widening of the gender gap for home purchases utilizing the MII, as seen below.

Single Mortgagors_MII	Female	Male
Year 2021	64.4%	35.6%
Year 2022	66.0%	34.0%
Multiple Applicants-MII	**Female**	**Male**
Year 2021	55.6%	44.4%
Year 2022	55.2%	44.8%

Risk Management

The Bank ensures that adequate internal controls are in place to mitigate internal risks associated with its day-to-day operations. In addition to these internal risk factors, there are three major threats to the JMB's business. Firstly, the Bank operates in a relatively high-risk construction lending space with escalating infrastructure and construction cost. Secondly, its primary market business of construction lending generates over 90.0 per cent of its revenues, thereby presenting a major concentration risk.

And thirdly, the acquisition of adequate funding through the Bank's borrowing programme is jeopardized with each economic shock, as in the case of the pandemic. With each shock, the lending institutions tighten or withdraw from lending, thereby increasing the Bank's reputation risk. It is therefore extremely critical for the Bank to carefully manage these and other risk factors independently and collectively to minimize financial losses while allowing the Bank to capitalize on available opportunities.

With that recognition, the Bank developed its Enterprise Risk Management Framework (ERMF) in February 2017. This framework was approved by JMB's Board in 2018, and in February 2019 a detailed Register of Risks, covering all departments of the Bank, was also approved by the Board. The Board and Management monitor these three major risk factors closely using sector information and maintaining market and environmental data.

The ERMF was developed using the principles and procedures from the combined Australian and New Zealand Risk Management Standards and COSO Enterprise Risk Management. It involves identification of the risk elements, analyzing and assessing the risks, treating (mitigating and/or managing) and reporting on the risks. Shifting the entity to engaging a risk-smart workforce is central to the success of this tool, and is achieved via training by Senior Management, and the active participation of all employees with the overall process being led by the Board of Directors.

Three of the many objectives of the ERMF are to:

1. Provide a structured approach to addressing risks from beginning to end.
2. Ensure risk management is adopted throughout the organization as a prudent management practice; and
3. Ensure that the organization has a consistent basis for identifying, measuring, controlling, monitoring, and reporting risks across the Bank at all levels.

The direct responsibility for managing risks resides with the

Management of the organization, but every employee and associate of the Bank is required to take a responsible approach towards risk. The Board of Directors provides ultimate oversight to the ERMF and places great importance on managing the risks to which the Bank is exposed. On a quarterly basis, the Finance and Risk Management Committee, a sub-committee of the Board, should review the risk management processes of the Bank. Senior Managers, led by the General Manager, are responsible for the management of the functional risks and tabling important updates to the committee for review, feedback and /or approval. Similarly, economic drivers, especially factors that could potentially result in shocks to the real estate sector, are monitored and reported to the sub-committee and Board on a quarterly basis.

JMB's Risk Management is a dynamic process that includes the ongoing review of the organization's risk experiences, appetite and tolerance levels by the Board of Directors. Through a process of risk identification, risk factors external and internal to the entity are examined for potential threats. The risks are analyzed, assessed and measured to understand their root causes, estimate the likelihood of occurrence and their potential financial impact on the Bank.

The evaluation which follows compares the level of risk against predetermined criteria for acceptance or treatment. The risks are then classified according to key risk indicators and the magnitude of the exposure presented to the organization. Priority is given to risks that will have great impact if not addressed immediately, and accordingly, such risks are given higher ratings than those which may be addressed over a longer period, due to materiality and impending impact.

Outlook

As the global and local fallout resulting from the COVID-19 pandemic and the Russian / Ukraine war continues, the Bank will monitor and take the necessary steps to manage its risk inherent in the Primary Market sector, while still participating in what appears to be an ongoing robust housing sector. The Bank will continue to do its part in support of the Government's target to provide 70,000 affordable housing solutions within the five (5) year period set.

Further, the Bank fully anticipates transitioning to a private entity for 2024 / 2025. The privatization process is expected to be completed via an IPO on the Jamaican Stock Exchange.

Given the market conditions described earlier in the report, the Bank will prioritize the completion of all current projects to ensure reflows are adequate to repay borrowings and fund outstanding commitments. The Bank continues to eye sector housing, specifically in the tourism and public sectors in support of the Government's 70,000 housing solutions mandate, as well as, continuing its legacy of nation building and job creation of the past 50 plus years.

The Bank will target small to medium-sized housing developers, empower women and ordinary Jamaicans in the space and finance quality home construction projects while minimizing new non-performing loans. The Bank will continue its relationships with its financial partners to raise funds to meet clients' demands, seek to offload lands held for sale, and employ robust risk management and technology to drive efficiency. The objective of the Bank is to facilitate home ownership for as many Jamaicans as possible, while achieving sustainable profitability, and positioning itself for privatization.

Further, in addition to being ready on day one of privatization, in respect to governance and internal systems, the Bank will also seize the opportunity of preparing to launch new innovative services in the mortgage space. The Bank believes that these new services will not only diversify its offerings but will contribute exponentially to its top-line revenue growth, without adding any significant cost. The new mortgage service is expected to make the mortgage process, for Jamaicans, more efficient.

Likewise, the Bank will continue to use innovative means to stimulate the use of the MII (Mortgage Indemnity Insurance) product on behalf of the Government of Jamaica, with the primary objective of facilitating earlier home ownership for the younger population.

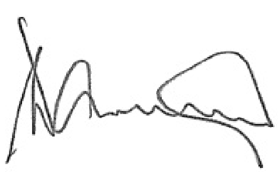
Appreciation

The Board of Directors recognizes and thanks, Prime Minister the Most Honourable Andrew Holness, ON, PC, MP, Minister of Housing in the Ministry of Economic Growth and Job Creation (MEGJC) and Permanent Secretary, Mrs. Audrey Sewell, OD, CD, JP and staff of MEGJC, for their contribution to its operations during the year and the confidence reposed in the Board to continue the Bank's rich legacy of the past 52 years.

To our business partners, especially Sagicor Bank, the National Commercial Bank, Proven Investments, the Development Bank of Jamaica and the Developers; we thank you for the confidence that you continue to place in the Jamaica Mortgage Bank as we strive to positively impact economic growth, nation-building, employment and the overall quality of life for Jamaicans as we bring the reality of home ownership closer to more of our people. We also express thanks to our support services providers - our external counsels, actuary, internal and external auditors.

Finally, we would like to thank the past and present Management and staff of the Bank for their steadfast and consistent commitment to the continued success of the organization. The current Directors are excited about the Bank's future and look forward to the next 50 years, as we build on a new foundation.

For and on behalf of the Board of Directors



Mr. Michael Shaw
Chariman,
Board of Directors

Board Of Directors

Ryan Parkes is the Chief – Business Banking at JN Bank. He holds an LLB (Hons.) and BBA Finance (Hons.). Ryan is a member of the Audit Committee and the Finance & Risk Management Committee and was appointed to the Board of Directors on April 18, 2016.

Doreen Prendergast is trained in the areas of Geography, Urban and Regional Planning, Environmental Planning and Management, Project Management and Public Sector Senior Management and Leadership. She is a member of the Projects and Loans Committee and the Human Resource Committee. Doreen was appointed to the Board on April 18, 2016.

Tiva Forbes holds an M.Sc. in Finance. She chairs both the Corporate Governance Committee and the Human Resource Committee and is a member of the Audit Committee and the Finance and Risk Management Committee. Tiva was appointed to the Board of Directors on April 18, 2016

The Jamaica Mortgage Bank thanks the following past Directors for their invaluable service during the 2022/2023 period:

- Director David Lee
  Resigned effective September 2022.
  Replaced by Patricia Henry June 2023

Kari J. Douglas holds a B.Sc. in Land Economy and Valuation Services. She is a Land Economist, Valuation Surveyor and Real Estate Dealer with over 10 years' experience in her field. She is a member of the Corporate Governance and Projects and Loans Committees. Kari was appointed to the Board of Directors on December 7, 2020.

Corporate Governance Report 2022 / 2023

The Jamaica Mortgage Bank (JMB or the Bank) firmly believes that corporate governance is crucial for its growth and overall success and demonstrates its commitment through strict adherence to the Government of Jamaica's Corporate Governance Framework and its own Corporate Governance Policies, which are guided by the Jamaica Mortgage Bank Act and the Public Bodies Management and Accountability Act.

The Bank is unwavering in its commitment to maintaining and upholding good corporate governance practices to safeguard the interests of its customers, employees, shareholders, and other stakeholders.

Central to the Bank's Corporate Governance Framework is the Board of Directors, composed of qualified individuals appointed by the Portfolio Minister, with the approval of the Cabinet. The Board holds ultimate responsibility for setting policies and overseeing the Bank's general administration. This includes providing direction for strategic plans and performance objectives, reviewing financial plans and budgets, evaluating key operational initiatives, monitoring financial performance, and upholding corporate governance principles. The Chairman plays a pivotal role in providing guidance and effective oversight of the Bank's management. Reporting to the Board, the General Manager is delegated with the responsibility for managing administrative functions and day-to-day operations of the Bank.

Corporate Governance Framework Policies

The Jamaica Mortgage Bank (JMB) ensures a strong foundation for its Corporate Governance Framework through the implementation of various robust internal policies, procedures, and practices that foster effectiveness.

These include:

- Terms of Reference for the Board and each Board Committee
- Board Charter and Corporate Governance Policy
- Code of Conduct
- Board Dispute Resolution Policy
- Corporate Social Responsibility Policy

- Enterprise Risk Management Policy
- The Protective Disclosures Policy

These policies, along with their corresponding implementation procedures, are regularly reviewed and updated as needed. Furthermore, an annual Board Evaluation exercise is conducted, empowering the Board through a highly effective self-assessment mechanism that allows for necessary adjustments and improvements.

Notably, the JMB has achieved remarkable success in the Public Sector Corporate Governance Awards Competition over the years. For 2022 / 2023, The Bank was awarded 3rd place for 2 categories, namely Compliance and Disclosure of Information and Most Improved Public Body, highlighting the Bank's exceptional performance and commitment to corporate governance practices.

Board Meetings

Throughout the financial year 2022/2023, the Board convened a total of ten (10) meetings. These meetings involved comprehensive reviews of reports provided by the General Manager, as well as the Finance, Business Operations (Projects), and Legal Departments. Additionally, reports from various Board Sub-committee meetings were examined. Mr. Frederick Bennett was co-opted as a sector technical specialist to the Board and Projects and Loan Sub-committee. Notably, the Board approved additional funding for existing projects, amounting to a value of $0.9 billion.

Board of Directors Composition & Attendance at Board Meetings

10 BOARD MEETINGS WERE CONVENED FOR THE 2022 / 2023 FINANCIAL YEAR

Name of Director	No. of Meetings Attended	Apologies Received
Michael Shaw	8	2
Courtney Hamilton	5	1
Tiva Forbes	10	-
Doreen Prendergast	6	2
Kari Douglas	8	1
Ryan Parkes	8	-
David Lee (resigned effective September 2022)	3	2

Statutory Obligations

During the course of the year, the following reports were submitted within the required timeframe:

- Four-Year Corporate Plan, One-Year Operating Plan and Operating and Capital Budgets for the FY 2023/2024
- Monthly Financial Reports as required under the PBMA

- Quarterly Performance Reports to the Ministry of Economic Growth and Job Creation
- Quarterly Procurement Report to the Integrity Commission
- Annual Report along with the audited Financial Statements for FY 2021 / 2022

Board Diversity

The Board is composed of individuals from varied backgrounds, ensuring a diverse range of skills, experience, gender representation, and comprehensive understanding of the JMB's business, which is vital for effective governance. Board members possess core competencies in areas such as accounting and finance, project management, law, corporate governance, real estate, construction industry knowledge, and strategic planning experience.

Corporate Governance Compliance

KEY PRINCIPLE/PRACTICE	APPLICATION BY JMB
Clear division of positions of Chairman and General Manager.	• Positions of Chairman and General Manager held by 2 different individuals who have distinct and separate roles.
Independence of Directors	• No Director is employed to the JMB. • Declarations are made of any conflicts of interest at the beginning of each Board Meeting.
Continued Training of Directors	• Integrity Commission Anti-Corruption and Good Governance Training
Regular Meetings	• The Board held all scheduled Board Meetings for the year and at each case the Directors received at least 7 days written notice of the meeting in advance.

Board Committees

Five Board Committees have been established and each has its specific duties and its own terms of reference.

Corporate Governance Committee

Members	Major Responsibilities	Work Performed FY 2022/2023
• Mr. David Lee (Chairman) • Mrs. Tiva Forbes • Ms. Kari Douglas NB: Mr. David Lee resigned effective September 2022.	• To make recommendations to the Board of policies and procedures designed to provide for effective and efficient governance in line with Government of Jamaica's Governance Framework and International best practices. • Overseeing the Board's self - evaluation exercise annually.	• Board Evaluation commenced, but not completed as at March 31, 2023.

Corporate Governance Committee Meetings

1 Meeting was Convened for the 2022 / 2023 Financial Year

Name of Director	No. of Meetings Attended	Apologies Received
Mr. David Lee	1	-
Mrs. Tiva Forbes	1	-
Ms. Kari Douglas	1	-

Audit Committee

Members	Major Responsibilities	Work Performed FY 2022/2023
• Mr. David Lee (Chairman) • Mrs. Tiva Forbes • Mr. Ryan Parkes NB: Mr. David Lee resigned effective September 2022.	• To deal with matters concerning the internal controls of the Bank's operations. • Overseeing of the internal audit function. • Review and advise the board on the annual auditor's report.	• Review of the External Audit 2022 Financial Statements and 2 Internal Audit Reports.

Audit Committee Meetings

1 Meeting was Convened for the 2022 / 2023 Financial Year

Name of Director	No. of Meetings Attended	Apologies Received
Mrs. Tiva Forbes	1	-
Mr. Ryan Parkes	-	-
Mr. David Lee	1	-

Finance and Risk Management Committee

Members	**Major Responsibilities**	**Work Performed FY 2022/2023**
• Mr. David Lee (Chairman) • Mrs. Tiva Forbes • Mr. Ryan Parkes NB: Mr. David Lee resigned effective September 2022.	• Reviewing the financial position of the Bank by assessing the quarterly financial statements and advising the Board on issues concerning the financial status of the bank and matters relating to the annual Budget. • Review of the Bank's quarterly Investment activities. • Overseeing the enterprise risk framework within the Bank and the monitoring of those risks to ensure that they remain robust appropriate and effective.	• Review of the Investment Reports

Finance and Risk Management Committee Meetings

1 Meeting was Convened for the 2022 / 2023 Financial Year

Name of Director	No. of Meetings Attended	Apologies Received
Mrs. Tiva Forbes	1	-
Mr. Ryan Parkes	-	-
Mr. David Lee	1	-

Human Resource Committee

Members	**Major Responsibilities**	**Work Performed FY 2022/2023**
• Mrs. Tiva Forbes (Chairman) • Mr. Michael Shaw • Mrs. Doreen Prendergast • Mrs. Karen Thompson-Wilson (Staff Invitee) • Mrs. Denise Bryson-Hinds (Staff Invitee)	• To provide guidance in the strategic development of the Human Resource of the Bank. • To oversee and approve human resource policy.	• Amendment to the HR Policy • Review of Incentive Proposal • Performance Evaluations of the Corporate Secretary and General Manager

Human Resource Committee Meetings

2 Meetings were Convened for the 2022 / 2023 Financial Year

Name of Director	No. of Meetings Attended	Apologies Received
Mrs. Tiva Forbes	2	-
Mrs. Doreen Prendergast	1	-
Mr. Michael Shaw	1	-

NB: Staff invitees are not compensated for meeting attendance

Projects and Loan Committee

Members	Major Responsibilities	Work Performed FY 2022/2023
• Mr. Michael Shaw (Chairman) • Mr. Courtney Hamilton • Mrs. Doreen Prendergast • Ms. Kari Douglas • Mr. Frederick Bennett (co-opted member)	• Review of submissions of projects to be financed by JMB as recommended by the internal management and thereafter present to the full board for final decision. • Review of the monthly reports on projects financed by the Bank and updates on the bad debt portfolio. • Ensures that policies and procedures outlined in the Construction Financing Policies and Procedures Manual are being adhered to. • Ensures that where variations from policy form part of projects presented for financing, such variations are justified. • Conducts periodic review of the Policies and Procedures relating to the Construction Financing functions to adopt best practice standards and make recommendations to the Board for approval.	• During the year, the Committee held seven (7) meetings and reviewed and recommended for approval various requests for interim construction loan financing valued at $2.1 billion (including additional loans to six (6) completed projects valuing $0.9 billion) and amendments to credit terms. • Oversaw the recovery and collection of bad loans amounting to $88.2 million for the year. • Provided monitoring oversight on all the active projects in the loan portfolio.

Projects and Loan Committee Meetings

7 Meetings were Convened for the 2022 / 2023 Financial Year

Name of Director	No. of Meetings Attended	Apologies Received
Mr. Michael Shaw	6	1
Mr. Courtney Hamilton	1	5
Mrs. Doreen Prendergast	7	-
Ms. Kari Douglas	3	-
Mr. Frederick Bennett	6	1

Corporate Social Responsibility

During the 2022/2023 financial year, one of the Bank's major acts of corporate social responsibility, was its annual Labour Day Project at the Arnold Road Methodist Basic School. The JMB continued its commitment to the community with other acts of philanthropy (Corporate Social Responsibility), by providing sponsorship for The JDA Real Estate Development Webinar held on Thursday, June 30, 2022.

Leadership Team

COURTNEY WYNTER, JP, B.Sc. (Hons), MBA (Hons) has held the position of General Manager at the Jamaica Mortgage Bank since January 6, 2014. Prior to joining JMB, Mr. Wynter held various domestic and international executive financial management positions in the areas of Telecom Finance and Banking and is a graduate of the prestigious Wharton Business School, AMP Program for Executives.

NATALIE MARTIN, FCCA, FCA, MSc. (University of London), joined the Bank on December 19, 2022 as Manager, Finance and has over twenty years' experience in the field of auditing and taxation. She is a Fellow of both the Institute of Chartered Accountants of Jamaica (ICAJ) and the Association of Chartered Certified Accountants (ACCA).

DENISE BRYSON HINDS, MBA has been the Manager, Human Resource & Administration since November 1, 2016 and is responsible for the development of the Bank's Human Resource Policies and programs as well as the department's operational and strategic plans.

KAREN N. WILSON, LLB, LLM, MCIARB joined the Bank as Corporate Secretary and Legal Officer in February 2022. Before coming to JMB, she was engaged as Senior Legal Advisor to the Minister of Justice and Senior Assistant Attorney General in the Ministry of Justice. Additionally, she has extensive experience in conveyancing and mortgage lending from having worked at the National Housing Trust and the Victoria Mutual Building Society.

PATRICIA BURKE, BBA (UTech JA.), MBA (FIU) joined the Jamaica Mortgage Bank on November 12, 2018 as Director, Business Operations. Mrs. Burke brings to the Bank over twenty years' experience in the field of Credit having worked at Jamaica Police Coop Credit Union, First Global Bank and EDUCOM Coop Credit Union.

We thank the following persons for their invaluable service to the JMB for the 2022 / 2023 financial period:

- **Mrs. Sherry-Ann Johnson-Hylton**, Finance Manager – resigned effective October 2022

General Manager's Report

Overview

Despite the lingering effects of the Covid-19 pandemic coupled with the Russia/Ukraine war, the Bank continued its rich legacy of nation-building during the 2022/2023 fiscal year. The impact of these events on the construction industry included delays caused by shipping and other logistical issues which resulted in increased costs of materials, labour and other inputs as well as an escalation of housing prices. Additionally, the high-interest rate environment also influenced retail mortgage affordability. The Bank was able to navigate these challenges and contributed significantly to the resilience of the construction industry by continuing credit to developers who were faced with the possibility of shutting down their projects.

Due to the challenges of the industry, the Bank committed additional funding to existing projects. At the year's end, the Bank had fourteen (14) active projects under management which accounted for four hundred and twenty-eight (428) housing solutions across the island. A total of $1.3 billion was borrowed from financing partners to fund these projects during the year, along with certain revolving loan facilities.

The total loan portfolio increased by 21.3 per cent when compared to the previous year and similarly interest income from loans also increased by 34.9 per cent.

The MII performed commendably for the year as total income increased by 18.4 per cent and the number of policies issued for the year increased by 25.1 per cent over the previous year. The number of undertakings to insure (UTI), however, decreased by 12.1 per cent.

The Strategy

The 2022/2023 year represented a period of tight risk management for the Bank to achieve its mandate and contribute to nation-building. The period saw high interest rates from lenders, an increase in construction costs and extended maturity periods for construction projects. Funding was of major concern and due to the market conditions, the Bank continued the strategies of the prior year:

- Diversify funding strategy using various modalities such as syndication, direct loans and sale of lands held on its balance sheet.

- Maintain a laser-like focus on the management of the loan portfolio to prevent the creation of any new bad loans. There were no new bad loans for the year and the non-performing loan rate remained low at 4.1 per cent. For the reporting year, the Bank collected $88.2 million with respect to bad debts and non-performing loans.

- Increase market share in the Primary Market space of small to medium-size developers whose focus is providing housing solutions to low-middle and middle income families. During the reporting year, the Bank disbursed on three (3) projects which started construction during the year with an average two-bedroom price of approximately $24.8 million, which is comparable to market. The Bank also completed six (6) higher-end projects with an average two-bedroom unit price of $32.0 million compared to a market of $40.0 million.

- Diversify its income stream by introducing new and innovative products and services to the construction and mortgage sectors. The Bank designed a new and innovative product for the mortgage space, to be launched shortly after privatization. Additionally, the Bank will be using its expertise to offer monitoring services to reduce incidents of breach within the sector. Post Privatization, the Bank intends to enter the more lucrative construction space.

- To raise equity capital through the GOJ divestment program using the modality of Initial Public Offer (IPO), effectively transitioning from a Statutory Government entity to a private enterprise. The Bank is working closely with the Development Bank of Jamaica (DBJ) to implement this initiative within the 2024/2025 fiscal year.

- To employ its proprietary risk management system to manage risk associated with all projects. The Bank's Enterprise Risk Management Framework (ERMF) manages the value chain and processes and was implemented during the 2018/2019 year. The ERMF has contributed to a vast improvement in the Bank's operations, partly resulting in the Bank receiving several awards over a number of years from the Public Bodies Corporate Governance Award annual competition.

- To continue the JMB's culture of strategic thinking that innovates big, creative ideas that redounds to the prosperity of the Bank and the Jamaican community. The JMB prides itself with empowering the ordinary man. Over its 50 years, the Bank has funded new persons entering the construction space including female developers. We continue to train staff, especially those who interface with our customers, but most importantly empower the staff to innovate using trending tools and information. See schedule completed for the 2022/2023 year under "Staff training".

Management Discussion and Analysis

Financial Overview

Summary

The 2022/2023 fiscal year represented the post-recovery period from the Covid-19 pandemic and the Bank performed creditably against the backdrop of a high-interest rate environment, and again registered a profit for the year. There were, however, certain one-off items that caused a reduction in the overall net profit from the previous year.

The profit before ECL and one-off items increased by 9.9 per cent YoY, however this was significantly affected by an increase in interest expense of 110.0 per cent and total costs of 50.6 per cent.

	2023 ($'000)	2022 ($'000)	Var. ($'000)	Var. %
Revenues				
Interest from Loans	514,201	381,173	133,028	34.9%
Interest from Deposits	4,262	1,352	2,910	215.2%
Total Interest income	518,463	382,525	135,938	35.5%
Other income	96,537	77,486	19,051	24.6%
Total Income from Operations	**615,000**	**460,011**	**154,989**	**33.7%**
Expenses			0	
Staff Cost	(138,507)	(125,007)	(13,500)	10.8%
Other Administrative Cost	(44,829)	(38,411)	(6,418)	16.7%
Finance Cost	(221,915)	(105,667)	(116,248)	110.0%
Total Expenses before ECL Allowances	**(405,251)**	**(269,085)**	**(136,166)**	**50.6%**
Profits before ECL Allowances and Bad Debt Collections	**209,749**	**190,926**	**18,823**	**9.9%**
Income from Bad Debt Collections	21,933	70,158	(48,225)	-68.7%
Withholding tax write off	(44,013)	0	(44,013)	
ECL (Allowance)/ Net Write Back	22,628	(20,023)	42,651	-213.0%
Profit Before Tax	**210,297**	**241,061**	**(30,764)**	**-12.8%**
Tax	(54,855)	(38,641)	(16,214)	42.0%
Net Profit	**155,442**	**202,420**	**(46,978)**	**-23.2%**
			0	
Other Comprehensive Income/(Deficit)				
Remeasurement gains/(losses)-defined benefit plan	(16,786)	(2,268)	(14,518)	640.1%
Deferred tax-defined benefit plan	4,196	567	3,629	640.0%
	(12,590)	(1,701)	(10,889)	640.2%
TOTAL COMPREHENSIVE INCOME FOR YEAR, NET OF TAX	**142,852**	**200,719**	**(57,867)**	-28.8%

The post covid recovery period also saw extensions to project schedules due to a myriad of issues from supply chain delays, increased material and labour costs. As a result, the level of expected reflows from projects were not realized. The Bank had to increase its debt portfolio to fund cost fluctuations resulting in the debt portfolio increasing steadily since the pandemic. This, coupled with significant increases in interest rates negatively affected the Bank's performance for the year. The debt portfolio increased by 46.0 per cent and the interest expense increased significantly by 110.0 per cent compared to the same period last year.

FINANCIAL HIGHLIGHTS (Expressed in thousands of dollars)	Mar-23	Mar-22	Mar-21	Change	
		$	$	$	%
Construction Loans	**5,429,508**	**4,516,920**	**3,148,990**	**912,588**	**20%**
Total Assets	**6,491,081**	**5,153,242**	**3,680,270**	**1,337,839**	**26%**
Total Liabilities	**3,929,825**	**2,734,838**	**1,462,585**	**(1,194,987)**	**-44%**
Total Equity	**2,561,256**	**2,418,404**	**2,217,685**	**(142,852)**	**-6%**

Despite the harsh economic conditions which resulted in an escalation in construction costs, the Bank was able to fund new requests from developers for additional loans which resulted in increases, in the loan portfolio by 20.0 per cent as well as an interest income by 34.9 per cent.

Group Financial Performance Analysis

FIVE-YEAR SUMMARY *(Expressed in thousands of dollars)*	Mar-23	Mar-22	Mar-21	Mar-20	Mar-19	Change 2023 vs 2022		FIVE-YEAR Compounded Annual Growth Rate (CACR)
	$	$	$	$	$	$	%	
Interest Income	518,463	382,525	220,803	166,077	213,983	135,938	35.54%	19.36%
Non-interest Income	96,537	77,486	82,065	91,882	54,885	19,051	24.59%	11.96%
Total Income from Operations	**615,000**	**460,011**	**302,868**	**257,959**	**268,868**	154,989	33.69%	18.00%
Expenses								
Staff Costs	(138,507)	(125,007)	(118,165)	(103,789)	(99,210)	(13,500)	10.80%	6.90%
Other Administrative Costs	(44,829)	(38,411)	(39,343)	(47,885)	(41,414)	(6,418)	16.71%	1.60%
Finance Costs	(221,915)	(105,667)	(37,579)	(26,822)	(66,570)	(116,248)	110.01%	27.23%
Total Expenses before ECL	**(405,251)**	**(269,085)**	**(195,087)**	**(178,496)**	**(207,194)**	(136,166)	50.60%	14.36%
Profits/(loss) before ECL and Recoveries	**209,749**	**190,926**	**107,781**	**79,463**	**61,674**	18,823	9.86%	27.74%
Income from Recoveries	21,933	70,158	3,410	113,643	175,000	(48,225)	-68.74%	-33.99%
Withholding tax write off	(44,013)					(44,013)		
ECL (allowance)/write back	22,628	(20,023)	9,572	139,805	18,230	42,651	-213.01%	4.42%
Profit before taxation	**210,297**	**241,061**	**120,763**	**332,911**	**254,904**	(30,764)	-12.76%	-3.77%
Taxation	(54,855)	(38,641)	(12,158)	(27,479)	(40,597)	(16,214)	41.96%	6.20%
Profit for the year	**155,442**	**202,420**	**108,605**	**305,432**	**214,307**	(46,978)	-23.21%	-6.22%
Other Comprehensive Income/(Loss)								
Remeasurement gains/(losses) on the defined benefit plan	(16,786)	(2,268)	16,514	(19,550)	(7,757)	(14,518)	640.12%	16.69%
Deferred tax relating to the remeasurement gains/(losses) on the defined benefit plan	4,196	567	(4,129)	4,888	(14,015)	3,629	640.04%	-178.57%
	(12,590)	**(1,701)**	**12,385**	**(14,662)**	**(21,772)**	(10,889)	640.15%	-10.38%
Total Comprehensive Income for the year, net of tax	**142,852**	**200,719**	**120,990**	**290,770**	**192,535**	(57,867)	-28.83%	-5.79%

Income

The 2022/2023 fiscal year presented challenges for the Bank; however, it was able to record a YoY increase in total income from operations (before recoveries and one-off items) of 33.6 per cent. Income from operations has been increasing steadily over the last five years with this year's recorded level being significant at over $600.0 million with a compounded growth rate of 18.0 per cent.

Non-interest income of $96.5 million increased by 24.6 per cent YoY and had a compounded growth rate of 11.9 per cent over the past five years. This category is comprised primarily of loan fees and other administrative charges.

Income from bad debt (loans written off) experienced a decline YoY of $48.2 million or 68.7 per cent as only $21.9 million was collected for the year. The Bank continues to try to collect from bad and non-performing loans (loans still on the books) with significant success. The level of non-performing loans as at March 31, 2023 was 4.1 per cent of the total loans portfolio, the lowest in the last ten years.

Expenditure

Expenses

Total expenses before ECL of $405.3 million increased YoY by $136.2 million or 50.6 per cent as all expense lines reflected increases when compared to the previous year. Additionally, there was a one-time write-off of $44.0 million, withholding tax recoverable, which had been on the books for an extended period and was no longer considered recoverable from the tax authorities after numerous attempts to resolve the issue.

Finance Costs

Total finance cost (which is comprised of interest and debt issuance cost) increased by $116.2 million or 110.0 per cent.

Interest cost of $210.3 million increased by $109.3 million or 108.2 per cent over the previous year and a 25.9 per cent compounded annual growth rate over the last five years. The increase is attributed to an increase in borrowing as well as higher interest rates from financial partners.

An additional $1.3 billion was raised during the year in addition to extending an existing debt of $500.0 million. New debt was financed at 11.0 and 6.4 per cent (related party transaction), resulting in the Bank's weighted average cost of funds moving from 6.7 per cent to 8.1 per cent.

Debt issuance cost increased by $6.9 million or 149.8 per cent due to the acquisition of new debts and the increase in associated fees.

Other Operating Costs

Other operating costs comprised staff and other administrative costs. Staff costs increased by $13.5 million or 10.8 per cent primarily due to the GOJ's implementation of the new salary transformation review.

The major drivers of the increase in other administrative expenses; were bank charges, utilities, computer-related and general expenses.

Expected Credit Loss

A write-back of $22.6 million was recorded for the year, which represents a decrease of $42.6 million or 213.0 per cent over the charge of $20.0 million in the prior year. This was due to a combination of factors including increase in the loan portfolio, increase in collateral values for certain projects and recoveries realized from certain non-performing loans.

Group Financial Postion

FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA	Mar-23	Mar-22	Mar-21	Mar-20	Mar-19	Change 2023 vs 2022		FIVE-YEAR
(Expressed in thousands of dollars)	$	$	$	$	$	$	%	Compounded Annual Growth Rate (CAGR)
Statement of Financial Position								
Construction Loans	5,429,508	4,516,920	3,148,990	2,140,078	2,072,428	912,588	20.2%	21.2%
Total Assets	6,491,081	5,153,242	3,680,270	2,832,751	2,414,631	1,337,839	26.0%	21.9%
Total Liabilities	3,929,825	2,734,838	1,462,585	736,056	608,706	1,194,987	43.7%	45.2%
Total Equity	2,561,256	2,418,404	2,217,685	2,096,695	1,805,925	142,852	5.9%	7.2%

Total assets of $6.5 billion increased YoY by $1.3 billion or 26.0 per cent mainly because of increases in the Bank's loan portfolio and cash balances.

The loan portfolio increased by $0.9 billion or 20.2 per cent and stood at $5.4 billion at the end of the fiscal year under review. The increase in the loan portfolio was due to the net effect of disbursements and collections plus accrued interest.

The Bank ended the year with a significant cash balance of $504.5 million due to the receipt of loan funding on the last day of the fiscal year. This represents an increase over that of the prior year by $461.1 million or 1,070.0 per cent. The policy of the Bank is to disburse cash to projects rather than hold, therefore the cash was disbursed to projects promptly in the subsequent fiscal year.

Other assets experienced mixed results YoY, other receivables increased by $34.4 million or 120.0 per cent due to an increase in outstanding loan fees from developers; increases in investments balances were minimal and represented interest earned; tax recoverable decreased by $49.0 million due to a write-off of $44.0 million and utilization against income tax payable and pension assets decreased by $18.0 million due to the fair value assessment by the actuaries.

Total liabilities (including borrowings) increased YoY by $1.2 billion or 43.7 per cent, mainly attributable to funding received from financing partners of $1.3 billion. The Bank repaid bonds totalling $0.3 billion during the year.

Primary Market

The Construction Industry continued its growth projection albeit tempered by the residual effects of the pandemic. For the period 2022-2023 all three government agencies, The Jamaica Mortgage Bank, The National Housing Trust and the Housing Agency of Jamaica continued to add to the housing stock in keeping with the government's mandate. Private developers also played a major role in the build-out of commercial properties as well as the provision of residential houses primarily to middle-income earners.

The focus for the JMB remained aligned with the Bank's risk appetite, ultimately resulting in a strategic decision to reduce new commitments and instead allocate resources to the completion of projects under contract. To this end, the approval of supplementary loans to the existing portfolio in the amount of $0.9 billion spread across six projects that contributed 145 units to the total portfolio of 440 housing solutions. Total disbursements for the period of $2.4 billion represent a YoY increase of 15.0 per cent, when compared to total disbursements of $2.1 billion for 2022.

Secondary Market

Interest rates within the Secondary Mortgage Market remained unfavourable, resulting in JMB's non-participation within the sector. The Jamaica Mortgage Bank will however continue to monitor the economic conditions with a view to participate in the sector as soon as the conditions improve.

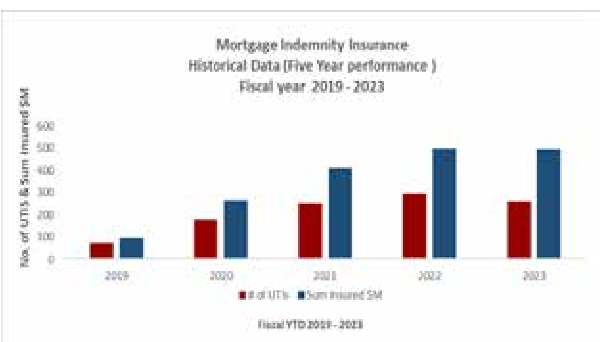
Mortgage Indemnity Insurance (MII)

The MII portfolio continued to reflect excellent results with a total of 261 new Undertakings to Insure (UTI) being issued at a value of $494.9 million. This is positive against a budget of 150 UTIs valued at $180.0 million, representing a 74.0 per cent and a 175.0 percent positive variance in UTIs written and value respectively.

The number of policies written increased by 25.1 per cent, while the value of the policies increased by 30.1 per cent. A total of 187 policies at a value of $302.7 million were done in 2022 compared to 234 policies valuing $393.6 million for 2023.

Diaspora Home Building Services (DHBS) and the Technical Support Services (TSS)

The Diaspora Home Building Services (DHBS) and the Technical Support Services (TSS) will be relaunched through renewed marketing



efforts within the 2023/2024 financial year as both are potential income streams for the Bank. Both services leverage the technical and risk management in-house expertise of the Bank in providing assistance in project assessment, management, monitoring, and closeout to two different target markets; The DHBS is geared towards persons living overseas who wish to build locally and TSS is geared towards interim financiers who lack the technical skillset being offered.

Bad Debt

A major area of emphasis for the Bank has been the constant monitoring of the projects to ensure that the loans are performing based on agreed terms and prevent loans from transitioning to the Non-Performing Loan (NPL) stage. There were no new NPLs for the current year and no loans were written off. At the end of the reporting year, NPLs stood at $227.0 million or 4.1 per cent of the total loan portfolio, compared to 6.0 per cent for the previous period. Five years ago, the NPL was at a high of 31.0 per cent of the total loan portfolio, therefore the strategies employed by the Bank have been very effective.

The mechanisms employed by the Bank for the recovery of amounts due from its' NPLs include, among other things; selling under Powers of Sale contained in the Mortgages, initiating court proceedings, the appointment of receivers where necessary, and initiating foreclosure proceedings.

The recovery efforts yielded $88.2 million for collections from bad debts and NPLs during the year against the budgeted amount of $30.0 million.

Other

During the 2022/2023 financial year, the Bank continued its working relationship with the Ministry of Economic Growth and Job Creation (MEGJC), the housing portfolio Ministry, where representatives assisted with various initiatives led by the Ministry, including the Housing Policy and Implementation Plan. The Bank also partnered with the Jamaica Developers Association on various housing related webinars.

The Bank continued its partnership with the Arnold Road Methodist Basic School by participating in a Labour Day Project in May 2022. Additionally, the Bank assisted with financial donations to various charitable and voluntary organizations.

The Bank continued its relationships and membership with various interest groups, such as the Jamaica Developers Association (JDA), the Jamaica Chamber of Commerce (JCC), the Incorporated Masterbuilders Association of Jamaica (IMAJ) and the International Union for Housing Finance (IUHF).

Macro Real Estate Legal Environment

As mentioned above, the economic recovery from the COVID-19 pandemic was dominated by inflation. As a result, global economies had to introduce monetary policies to manage increasing inflation. Jamaica's Central Bank increased its policy rate several times by 50 bps culminating in a monetary policy interest rate of 7.0 per cent. This has caused some level of nervousness and apprehension within the residential construction sector as the increase in the BOJ's benchmark policy rate directly impacts mortgage rates. The Bank has seen the average mortgage rates of individuals using the MII move by 1.0 percentage point when compared to the previous year. Notwithstanding, the real estate industry remained resilient as evidenced by steady demand and competitive pricing for housing solutions. However, the Bank expects mortgage lenders to increase rates to as high as

9.0 per cent, if the Central Bank does not hold or reduce its policy rates in the near-term. This is a major cause for concern in the medium term, especially in the higher-priced end of the housing market.

The continued growth of the JMB-administered Mortgage Indemnity Insurance product provides cogent evidence of the buoyancy of the real estate market. As at March 31, 2023, a total of 234 policies were written at a value of $393.6 million compared to a total of 187 policies valuing $302.0 million issued as at the same period in the previous year.

The public discussions regarding general compliance with the new Building Act of 2018 continued. Since the passing of the Act, registered proprietors have increased their vigilance of new developments in ensuring that new residential construction in their communities remains compliant with the regulatory approvals and laws. This has resulted in "Stop Orders" being placed on several developments and has over the years resulted in increased observance and adoption of sound and legal construction development practices. This has improved the integrity of the real estate development industry and by extension, improved the security and investor confidence in the industry.

As part of its credit risk management mechanism, the Jamaica Mortgage Bank actively monitors the legal landscape for court actions and claims by interested parties in real estate developments, to ensure that the Developers and projects that are funded by the Bank remain compliant with all relevant regulatory approvals, laws and government actions/orders.

The Jamaica Mortgage Bank takes seriously its mandate to facilitate safe and affordable housing for all Jamaicans and it is our view that exercising this mandate requires active participation in compliance and monitoring of projects financed with our resources.

Staff and Training

Prospective individuals wishing to join the Jamaica Mortgage Bank (JMB) must meet certain minimum levels of academic qualification and skill (where applicable), as stipulated by the policies of the Bank, to be considered for the positions in which they have an interest.

In addition to entering the Bank with the minimum qualification for the position, an annual training plan is created and implemented. This is intended to expose team members in furtherance of the Bank's commitment to the development of a trained and motivated team. The Bank currently boasts a highly qualified and experienced staff. The academic qualifications of the existing team are as follows; master's degrees/professional certifications (28 per cent), first degrees (32 per cent), with another 16 per cent currently pursuing studies leading to a first degree. Within the remaining 24 per cent, individuals hold qualifications in keeping with their functions, some of which include certificates and diplomas.

Despite the limitations caused by the pandemic, and in keeping with the strategic objective to develop a learning organization ('lifelong learning' mindset and knowledge-sharing culture) team members are encouraged to pursue professional and personal development, some of which are financed by the Bank.

The table below depicts the areas and the number of persons who benefitted from training opportunities during the 2022/2023 fiscal year:

Area of Training	No. of Persons Trained
- IFRS	3
- Microsoft 365 Security Administration	1
- Payroll, Staff Benefits and Statutory Deductions	1
- Procurement Training	8
- Anticorruption / Good Governance	4

Conclusion And The Way Forward

The Bank continues to be an important player in the construction financing segment of the sector. Despite the challenges within the sector, the Bank continued to be highly competitive within the Primary Market space. The Bank ended the 2022/2023 year with 14 active projects valuing approximately $7.0 billion and could conservatively add another $5.0 to $8.0 billion annually. This could translate into exponential growth in the short to medium term, making JMB an attractive company in terms of value.

Similarly, the Bank has seen an exponential increase in the use of the Mortgage Indemnity Insurance product it manages on behalf of the Government, as it now approaches the milestone of $2.0 billion in assets. We expect to achieve even more significant growth of the MII product as the robust demand for housing continues in the next fiscal year.

The Bank fully expects a change in its ownership structure as it lists on the Jamaica Stock Exchange sometime during the 2024/2025 fiscal year. The Bank has been preparing for the eventual transition, with respect to its processes and key personnel, and looks forward to an exciting future as it creates wealth for potential investors.

The Bank is committed to continuing its 50-year legacy of nation-building for another 50 years and beyond as it provides safe and affordable housing for all Jamaicans.

Mr. Courtney Wynter
General Manager

BUDGET-2023/2024

BALANCE SHEET

	2023 Actual $'000	2022 Actual $'000	% Change	Budget 2023/2024 $'000
ASSETS				
Non-Current Assets				
Property Plant and Equipment	37,517	39,639	-5.4%	63,568
Land Held for Development and Sale	453,489	475,889	-4.7%	404,588
Post Retirement Benefits	25,371	43,334	-41.5%	43,334
Loan Receivable	3,302	280,216	-98.8%	476,370
	519,679	839,078	-38.1%	987,860
Current Assets				
Loan Receivable	5,304,330	4,094,741	29.5%	2,074,601
Tax Recoverables	66,975	115,960	-42.2%	115,539
Receivables and Prepayments	63,045	28,652	120.0%	134,911
Certificates of Deposits	25,666	25,114	2.2%	430,407
Resale Agreements	6,901	6,594	4.7%	
Cash and Cash Equivalents	504,485	43,103	1070.4%	58,625
	5,971,402	4,314,164	38.4%	2,814,083
TOTAL ASSETS	6,491,081	5,153,242	26.0%	3,801,943
LIABILITIES AND SHAREHOLDERS' EQUITY				
SHARE HOLDERS EQUITY				
Share Capital	500,000	500,000	0.0%	500,000
Reserve Fund	500,000	500,000	0.0%	500,000
Special Reserve Fund	340,083	340,083	0.0%	340,083
Retained Earnings	1,221,173	1,078,321	13.2%	1,475,010
	2,561,256	2,418,404	5.9%	2,815,093
LIABILITIES				
Non-Current Liabilities				
Borrowings-Bonds and Loans Payable	2,224,543	1,785,459	24.6%	846,263
Deferred Tax Liability	118,093	73,460	60.8%	88,807
	2,342,636	1,858,919	26.0%	935,070
Current Laibilities				
Payables and Accruals	38,286	76,809	-50.2%	31,265
Short Term Loan	1,548,903	799,110	93.8%	
Income Tax Payable	-	-		20,515
	1,587,189	875,919	81.2%	51,780
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	6,491,081	5,153,242	26.0%	3,801,943

Departments

Finance & Accounts

- Financial & Management Accounting
- Treasury and Cash Management
- Budgeting and Control

Business Operations

- Primary Market Financing
  Project Financing
  Project Appraisal and Monitoring
  Project Risk Analysis
  Technical Support Services
  Diaspora Project Management Services

- Secondary Mortgage Market
  Mortgage-backed Securities

- Mortgage Insurance
  Evaluation of proposals for insurance for housing schemes
  Claims processing
  Issuing of Undertakings-to-insure
  Preparation of Mortgage Insurance policies
  Promotion of Mortgage Insurance facilities

Corporate Secretarial / Legal

- Corporate Secretarial activities, including Corporate Governance and Board of Directors' Issues
- Legal Conveyancing, and title registration
- General Legal Services

Human Resource & Administration

- Human Resource Management
- Policy Development and Administration
- Office Administration

General Manager's Office

- Strategy Development, Implementation and Execution
- Information & Communication Technology
- Public Relations and Marketing

Forrest Gates Ribbon Cutting Ceremony

General Manager Courtney Wynter makes presentation at Genesis 28 Ceremony.

Prime Minister Andrew Holness poses with new home owners at Genesis 28.

Prime Minister Andrew Holness and JMB Executives cut Ribbon at Genesis 28

Prime Minister Andrew Holness makes presentation at Forrest Gates Ribbon Cutting.

Prime Minister Andrew Holness poses with JMB Staff.

Prime Minister Andrew Holness smiles with guests at Genesis 28 Ceremony.

Prime Minister Andrew Holness tours apartments at Forrest Gates.

THE JAMAICA MORTGAGE BANK RIBBON CUTTING CEREMONIES FOR FORREST GATES AND GENESIS 28 HELD JULY 2022

Active & Recently Completed Projects

Project Title: Comfort Apartments
Location: Deanery Road, St. Andrew

Project Title: Forrest Gates
Location: St. Andrew

Project Title: Jewels of Sinclair
Location: Sunset Drive, St. Andrew

Project Title: Jewels of Sinclair
Location: Kingston

Project Title: Genesis 28
Location: Kingston

Project Title: Kensington Gates
Location: Kingston

Project Title: London Apartments
Location: Padmore Drive, Kingston

Active & Recently Completed Projects

Project Title: NAWE Country Club
Location: Goshen, St. Elizabeth

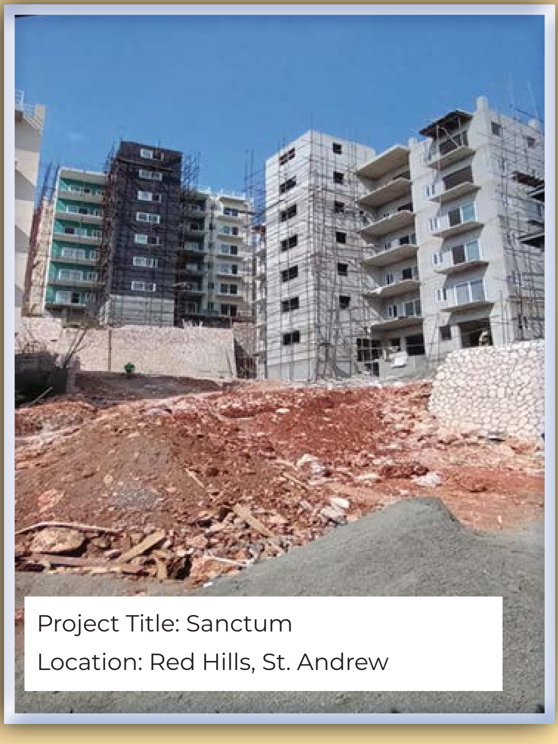
Project Title: NAWE Country Club
Location: Goshen, St. Elizabeth

Project Title: Richesse Chateaux
Location: St. Andrew

Project Title: Sanctum
Location: Red Hills, St. Andrew

50th JMB ANNIVERSARY
JAMAICA MORTGAGE BANK
"BUILDING A NEW FOUNDATION"
1971 - 2021

Project Title: Palaise De La Richesse
Location: Stony Hill, St. Andrew



Project Title: Sanctum
Location: Red Hills, St. Andrew

Project Title: Palaise De La Richesse
Location: Stony Hill, St. Andrew

Directors & Senior Executives Compensation

Directors' Compensation - April 1, 2022 to March 31, 2023

Name Of Director	Fees	Motor Vehicle / Travelling	Honoraria	All Other Compensation	Total
Michael Shaw Board Chairman / Sub-committee Chairman	241,100	-	-	-	241,100
Courtney Hamilton Director / Deputy Chairman	78,500	-	-	-	78,500
Ryan Parkes Director / Sub-committee Chairman	108,000	-	-	-	108,000
Doreen Prendergast Director	137,500	-	-	-	137,500
Tiva Forbes Director / Sub-committee Chairman	166,000	-	-	-	166,000
David Lee * Director / Sub-Committee Chairman	78,800	-	-	-	78,800
Kari Douglas Director	135,000	-	-	-	135,000
Frederick Bennett Co-opted Member	116,500	-	-	-	116,500
	1,061,400	**-**	**-**	**-**	**1,061,400**

Senior Executives' Compensation - April 1, 2022 to March 31, 2023

Position / Title	Salary ($)	Temporary Allowance	Gratuity	Travel Allowance	Mileage	Acting Allowance	Pension	Incentive	Total
General Manager Courtney Wynter	12,960,514	3,347,352	-	169,715	-	325,325	-	1,650,000	18,127,581
Director, Business Operations Patricia Burke	7,759,851	880,001	1,555,878	169,715	27,688	-	-	653,230	11,371,690
Corporate Secretary / Legal Officer Karen Thompson-Wilson	7,344,689	869,716	-	169,715	-	-	61,277	-	8,445,397
Manager Finance Natalie Martin [2]	1,967,387	254,891	-	169,715	-	-	-	-	2,391,992
Manager Finance (Resigned) Sherry-Ann Johnson-Hylton [1]	2,786,459	-	-	867,173	-	-	-	548,848	4,202,480
Manager, Human Resource & Administration Denise Bryson Hinds	5,881,100	762,559	-	89,492	-	-	132,145	601,190	7,466,486
	38,700,000	6,114,519	1,555,878	1,635,525	27,688	325,325	193,422	3,453,268	52,005,625
									TOTAL: 52,005,625

***** Director David Lee resigned effective September 2022

1 - Mrs. Sherry-Ann Johnson-Hylton demitted office October 2022; **2 -** Ms. Natalie Martin assumed the position effective December 2022

Financial Statements for the Jamaica Mortgage Bank and Its Subsidiaries

for the year ended 31st March 2023

Ernst & Young Chartered Accountants
8 Olivier Road, Kingston 8
Jamaica W.I.
Tel: 876 925 2501
Fax: 876 755 0413
http://www.ey.com

INDEPENDENT AUDITOR'S REPORT

To the Members of Jamaica Mortgage Bank

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated financial statements of Jamaica Mortgage Bank and its subsidiary (the "Group") and the separate financial statements of Jamaica Mortgage Bank (the "Bank"), which comprise the consolidated and separate statements of financial position as at 31 March 2023, and the consolidated and separate statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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 are independent of the Group and Bank in accordance with the International Ethics Standards Board for Accountants' ("IESBA") International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

INDEPENDENT AUDITOR'S REPORT (Continued)

To the Members of Jamaica Mortgage Bank (Continued)

Report on the Audit of the Consolidated and Separate Financial Statements (Continued)

Responsibilities of Management and Those Charged with Governance for the Consolidated and Separate Financial Statements (Continued)

In preparing the consolidated and separate financial statements, management is responsible for assessing the Group's and 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 Group and the Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT (Continued)

To the Members of Jamaica Mortgage Bank (Continued)

Report on the Audit of the Consolidated and Separate **Financial Statements (Continued)**

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements (Continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and 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 consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that presents a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on additional requirements of the Mortgage Bank Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained and the financial statements are in agreement with the accounting records, and give the information required by the Mortgage Bank Act in the manner so required.

Ernst & Young

Chartered Accountants
Kingston, Jamaica

24 July 2023

JAMAICA MORTGAGE BANK AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023
(Expressed in Jamaican Dollars unless otherwise indicated)

	Notes	2023 $'000	2022 $'000
ASSETS			
Non-current assets			
Property and equipment	4	37,517	39,639
Land held for development and sale	5(c)	453,489	475,889
Post- retirement benefits	7(b)	25,371	43,334
Loans receivable	8	3,302	280,216
Total non-current assets		519,679	839,078
Current assets			
Loans receivable	8	5,304,330	4,094,741
Tax recoverable	9	66,975	115,960
Receivables and prepayments	10	63,045	28,652
Certificates of deposit	11	25,666	25,114
Resale agreements	12	6,901	6,594
Cash and cash equivalents	13	504,485	43,103
Total current assets		5,971,402	4,314,164
Total assets		6,491,081	5,153,242
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' Equity			
Share capital	14	500,000	500,000
Reserve fund	15	500,000	500,000
Special reserve fund	16	340,083	340,083
Retained earnings		1,221,173	1,078,321
Total shareholders' equity		2,561,256	2,418,404
Non-current liabilities			
Borrowings – long term portion	17	2,224,543	1,785,459
Deferred tax liability	24	118,093	73,460
Total non-current liabilities		2,342,636	1,858,919
Current liabilities			
Payables and accruals	18	38,286	76,809
Borrowings – current portion	17	1,548,903	799,110
Total current liabilities		1,587,189	875,919
Total shareholders' equity and liabilities		6,491,081	5,153,242

The accompanying notes form an integral part of these financial statements.

The financial statements were approved for issue by the Board of Directors on 24 July 2023 and are signed on its behalf by:

R. Parkes Acting Chairman
Mr. Ryan Parkes

D. Prendergast Director
Mrs. Doreen Prendergast

JAMAICA MORTGAGE BANK AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 MARCH 2023
(Expressed in Jamaican Dollars unless otherwise indicated)

	Notes	2023 $'000	2022 $'000
Revenue			
Interest from loans	19	514,201	381,173
Interest from deposits	19	4,262	1,352
		518,463	382,525
Expected credit losses			
Net recoveries/(charges) of expected credit losses on loans	8(c)	22,628	(20,023)
Net interest income after expected credit losses		541,091	362,502
Non-interest income			
Other income	20	118,470	147,644
		659,561	510,146
Administrative expenses			
Staff costs	21	(138,507)	(125,007)
Administrative and general expenses	22	(88,842)	(38,411)
		(227,349)	(163,418)
Finance costs			
Interest on borrowings		(210,293)	(101,015)
Amortization of debt issuance cost		(11,622)	(4,652)
		(221,915)	(105,667)
Profit before taxation	23	210,297	241,061
Taxation	24	(54,855)	(38,641)
Profit for the year		155,442	202,420
Other comprehensive loss			
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:			
Remeasurement losses on the defined benefit plan	7	(16,786)	(2,268)
Deferred tax relating to the remeasurement losses on the defined benefit plan	24(b)	4,196	567
		(12,590)	(1,701)
Total comprehensive income for the year, net of tax		142,852	200,719

The accompanying notes on form an integral part of these financial statements.

JAMAICA MORTGAGE BANK AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 MARCH 2023
(Expressed in Jamaican Dollars unless otherwise indicated)

	Share Capital	Reserve Fund	Special Reserve Fund	Retained Earnings	Total
	$'000	$'000	$'000	$'000	$'000
Balance as at 1 April 2021	500,000	500,000	340,083	877,602	2,217,685
Profit for the year	-	-	-	202,420	202,420
Other comprehensive loss	-	-	-	(1,701)	(1,701)
Total comprehensive income	-	-	-	200,719	200,719
Balance as at 31 March 2022	500,000	500,000	340,083	1,078,321	2,418,404
Profit for the year	-	-	-	155,442	155,442
Other comprehensive loss	-	-	-	(12,590)	(12,590)
Total comprehensive income	-	-	-	142,852	142,852
Balance as at 31 March 2023	500,000	500,000	340,083	1,221,173	2,561,256

The accompanying notes form an integral part of these financial statements.

JAMAICA MORTGAGE BANK AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2023
(Expressed in Jamaican Dollars unless otherwise indicated)

	Notes	2023 $'000	2022 $'000
Operating activities			
Profit before taxation		210,297	241,061
Adjustments to reconcile profit for the year to net cash provided by operating activities:			
Depreciation - property and equipment	4	3,955	4,400
Net (recoveries)/charge of expected credit loss recognized on loans receivables	8	(22,628)	20,023
Gain on land held for development and sale		(3,136)	(3,882)
Gain on disposal of property and equipment		-	(71)
Net unrealized foreign exchange gain		88	(1,028)
Pension expense	7(b)	2,322	3,578
Amortization of debt issuance costs		11,622	4,652
Interest income	19	(518,463)	(382,525)
Interest expense		210,293	101,015
		(105,650)	(12,777)
Decrease/(Increase) in operating assets and liabilities			
Receivables and prepayments		(34,393)	6,363
Tax recoverable		42,959	(107)
Loans receivable		(675,454)	(1,373,361)
Payables and accruals		(38,523)	35,587
Contributions paid post-retirement employee benefits	7(b)	(1,145)	(1,143)
Cash used in operations		(812,206)	(1,345,438)
Interest received		283,645	267,823
Income tax paid		-	(25,778)
Net cash flows used in operating activities		(528,561)	(1,103,393)
Investing activities:			
Resale agreement		(99)	18,343
Certificate of deposit		(535)	(13,117)
Proceeds on disposal of property and equipment		-	3,375
Proceeds on disposal of land held for development and sale		25,536	29,582
Additions to property and equipment	4	(1,833)	(518)
Net cash flows generated from investing activities		23,069	37,665
Financing activities:			
Interest paid		(175,912)	(110,390)
Proceeds from borrowings		1,442,786	1,785,459
Repayment of borrowings		(300,000)	(570,079)
Net cash flows provided by financing activities		966,874	1,104,990
Net increase in cash and cash equivalents		461,382	39,262
Effect of foreign exchange gain		-	51
Cash and cash equivalents at beginning of the year		43,103	3,790
Cash and cash equivalents at end of the year	13	504,485	43,103

The accompanying notes form an integral part of these financial statements.

JAMAICA MORTGAGE BANK

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023
(Expressed in Jamaican Dollars unless otherwise indicated)

	Notes	2023 $'000	2022 $'000
ASSETS			
Non-current assets			
Property and equipment	4	37,517	39,639
Land held for development and sale	5(b)	453,488	475,888
Interest in subsidiary	6	126,814	125,876
Post- retirement benefits	7(b)	25,371	43,334
Loans receivable	8	3,302	280,216
Total non-current assets		646,492	964,953
Current assets			
Loans receivable	8	5,304,330	4,094,741
Tax recoverable	9	66,975	115,960
Receivables and prepayments	10	63,045	28,652
Certificates of deposit	11	25,666	25,114
Resale agreements	12	6,901	6,594
Cash and cash equivalents	13	504,485	43,103
Total current assets		5,971,402	4,314,164
Total assets		6,617,894	5,279,117
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	14	500,000	500,000
Reserve fund	15	500,000	500,000
Special reserve fund	16	340,083	340,083
Retained earnings		1,347,986	1,204,196
Total shareholders' equity		2,688,069	2,544,279
LIABILITIES			
Non-current liabilities			
Borrowings – long term portion	17	2,224,543	1,785,459
Deferred tax liability	24	118,093	73,460
Total non-current liabilities		2,342,636	1,858,919
Current liabilities			
Payables and accruals	18	38,286	76,809
Borrowings – current portion	17	1,548,903	799,110
Total current liabilities		1,587,189	875,919
Total shareholders' equity and liabilities		6,617,894	5,279,117

The accompanying notes form an integral part of these financial statements.

The financial statements were approved for issue by the Board of Directors on 24 July 2023, and are signed on its behalf by:

R. Parkes ____ Acting Chairman D. Prendergast ____ Director

Mr. Ryan Parkes Mrs. Doreen Prendergast

JAMAICA MORTGAGE BANK

STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 MARCH 2023
(Expressed in Jamaican Dollars unless otherwise indicated)

	Notes	2023 $'000	2022 $'000
Revenue			
Interest from loans	19	514,201	381,173
Interest from deposits	19	4,262	1,352
		518,463	382,525
Expected credit losses			
Net recoveries/(charges) of expected credit losses on loans	8	22,628	(20,023)
Net interest income after expected credit losses		541,091	362,502
Non-interest income			
Other income	20	118,470	147,644
		659,561	510,146
Administrative expenses			
Staff costs	21	(138,507)	(125,007)
Administrative and general expenses	22	(87,904)	(38,209)
		(226,411)	(163,216)
Finance costs			
Interest on borrowings		(210,293)	(101,015)
Amortization of debt issuance cost		(11,622)	(4,652)
		(221,915)	(105,667)
Profit before taxation	23	211,235	241,263
Taxation	24	(54,855)	(38,641)
Profit for the year		156,380	202,622
Other comprehensive loss			
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:			
Remeasurement losses on the defined benefit plan	7	(16,786)	(2,268)
Deferred tax relating to the remeasurement losses on the defined benefit plan	24(b)	4,196	567
		(12,590)	(1,701)
Total comprehensive income for the year, net of tax		143,790	200,921

The accompanying notes form an integral part of these financial statements.

JAMAICA MORTGAGE BANK

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 MARCH 2023
(Expressed in Jamaican Dollars unless otherwise indicated)

	Share Capital	Reserve Fund	Special Reserve Fund	Retained Earnings	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Balance as at 1 April 2021	500,000	500,000	340,083	1,003,275	2,343,358
Profit for the year	-	-	-	202,622	202,622
Other comprehensive loss	-	-	-	(1,701)	(1,701)
Total comprehensive income	-	-	-	200,921	200,921
Balance as at 31 March 2022	500,000	500,000	340,083	1,204,196	2,544,279
Profit for the year	-	-	-	156,380	156,380
Other comprehensive loss	-	-	-	(12,590)	(12,590)
Total comprehensive income	-	-	-	143,790	143,790
Balance as at 31 March 2023	500,000	500,000	340,093	1,347,986	2,688,069

The accompanying notes form an integral part of these financial statements.

JAMAICA MORTGAGE BANK

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2023
(Expressed in Jamaican Dollars unless otherwise indicated)

	Notes	2023 $'000	2022 $'000
Operating activities			
Profit before taxation		211,235	241,263
Adjustments to reconcile profit for the year to net cash provided by operating activities:			
Depreciation - property and equipment	4	3,955	4,400
Net (recoveries) /charge of expected credit loss recognized on loans receivables	8	(22,628)	20,023
Gain on disposal of land held for development and sale		(3,136)	(3,882)
Gain on disposal of property and equipment		-	(71)
Net unrealized foreign exchange gain		88	(1,028)
Pension expense	7(b)	2,322	3,578
Amortization of debt issuance costs		11,622	4,652
Interest income	19	(518,463)	(382,525)
Interest expense		210,293	101,015
		(104,712)	(12,575)
Decrease/(Increase) in operating assets and liabilities			
Receivables and prepayments		(34,393)	6,363
Tax recoverable		42,959	(107)
Loans receivable		(675,454)	(1,373,361)
Payables and accruals		(38,523)	35,587
Contributions paid post retirement employee benefits	7(b)	(1,145)	(1,143)
Cash used in operations		(811,268)	(1,345,236)
Interest received		283,645	267,823
Income tax paid		-	(25,778)
Net cash used in operating activities		(527,623)	(1,103,191)
Investing activities:			
Resale agreement		(99)	18,343
Certificate of deposit		(535)	(13,117)
Proceeds on disposal of property and equipment		-	3,375
Proceeds on disposal of land held for development and sale		25,536	29,582
Additions to property and equipment	4	(1,833)	(518)
Interest in subsidiary		(938)	(202)
Net cash generated from investing activities		22,131	37,463
Financing activities:			
Interest paid		(175,912)	(110,390)
Proceeds from borrowings		1,442,786	1,785,459
Repayment of borrowings		(300,000)	(570,079)
Net cash provided by financing activities		966,874	1,104,990
Net increase in cash and cash equivalents		461,382	39,262
Effect of foreign exchange gains		-	51
Cash and cash equivalents at beginning of the year		43,103	3,790
Cash and cash equivalents at end of the year	13	504,485	43,103

The accompanying notes form an integral part of the financial statements.

1. Identification

The Jamaica Mortgage Bank (the "Bank") was established in 1971 as a private limited company under the Companies Act of 1965, with an authorized share capital of J$5,000,000. On June 5, 1973, the Bank was converted to a statutory corporation by the enactment of the Jamaica Mortgage Bank Act. The Jamaica Mortgage Bank is subject to the provisions of Section 28 of the Interpretation Act 1968 and is wholly owned by the Government of Jamaica. The Bank is domiciled and incorporated in Jamaica and its registered office is located at 33 Tobago Avenue, Kingston 5, Jamaica, which is its principal place of business.

The Bank has a wholly owned subsidiary, JMB Developments Limited (together referred to as the "Group"), whose stated principal activity is carrying on the business of residential, commercial, and industrial real estate development. However, this company is currently inactive. This entity is domiciled and incorporated in Jamaica.

By virtue of the Jamaica Mortgage Bank Act 1973, the Bank may:
(a) lend money on mortgage and carry out any other transactions involving mortgages;
(b) lend money on security to be used for the construction of premises for private residential purposes or of a commercial or industrial nature;
(c) guarantee loans from private investment sources for building development;
(d) furnish financial advice and provide or assist in obtaining managerial, technical, and administrative services for persons engaged in building and development in Jamaica; and
(e) sell investments of whatever kind belonging to the Bank, as and when appropriate.

The present activities of the Bank are the:
(a) mobilization and disbursement, on a wholesale basis, of loan funds to finance housing development in Jamaica
(b) administration of, including investment management for the Government of Jamaica (GOJ) mortgage insurance fund; and
(c) operation of a secondary mortgage market facility

2. Adoption of Standards, Interpretations and Amendments

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

The International Accounting Standards Board (IASB) issued certain new standards and interpretations as well as amendments to existing standards, which became effective during the year under review. Management has assessed the relevance of these new standards, interpretations and amendments and has adopted and applied in these financial statements, those standards which are considered relevant to its operations. The nature and the impact of each new standard or amendment is described below.

The following are standards, amendments, and interpretations in respect of published standards which are in effect:

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 (Effective 1 January 2022)
The amendments prohibit entities from deducting from the cost of an item of property, plant, and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss. These amendments had no impact on the financial statements of the Group and the Bank.

(Expressed in Jamaican Dollars unless otherwise indicated)

2. Adoption of Standards, Interpretation and Amendments (Continued)

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

Reference to the Conceptual Framework –Amendments to IFRS 3 (Effective 1 January 2022)
The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments had no impact on the financial statements of the Group and the Bank.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 (Effective 1 January 2022)
In May 2020, the IASB issued amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. These amendments had no impact on the financial statements of the Group and the Bank.

Annual Improvements 2018-2020 cycle- Amendments to IFRS 1, IFRS 9 and IAS 41 (Effective 1 January 2022)

The following is a summary of the amendments from the 2018-2020 annual improvements cycle:

New and Revised Standards	Effective for annual periods beginning on or after
IFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter	1 January 2022
IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities	1 January 2022
IAS 41 Agriculture - Taxation in fair value measurements	1 January 2022

These amendments had no impact on the financial statements of the Group and the Bank.

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

The standards and interpretations that are issued, but not yet effective at 31 March 2023 are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

2. Adoption of Standards, Interpretation and Amendments (Continued)

2.2 Standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted (continued)

Classification of Liabilities as Current or Noncurrent and Non-current Liabilities with Covenants - Amendments to IAS 1 (Effective 1 January 2024)
In January 2020 and October 2022, the IASB issued amendments to IAS 1 Presentation of Financial Statements to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification
- Disclosures

The Group is assessing the potential impact of this amendment on its financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 (Effective 1 January 2023)
The amendments aim to help entities provide accounting policy disclosures that are more useful by:
- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The Group is assessing the potential impact of these amendments on its financial statements.

IFRS 17 - Insurance Contracts (Effective 1 January 2023)
IFRS 17 is effective for reporting periods starting on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 *Financial Instruments* and IFRS 15 on or before the date it first applies IFRS17.

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:
- A specific adaptation for contracts with direct participation features (the variable fee approach).
- A simplified approach (the premium allocation approach) mainly for short- duration contracts.

This is not expected to have any impact on the financial statements of the Group and the Bank.

2. Adoption of Standards, Interpretation and Amendments (Continued)

2.2 Standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted (continued)

Deferred Tax related to Assets and Liabilities arising from a Single Transaction- Amendments to IAS 12 (Effective 1 January 2023)
In May 2021, the IASB issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

An entity should apply the amendments to transactions that occur on or after the beginning of the earliest comparative period presented, it should also recognize deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations. These amendments are not expected to have any impact on the financial statements of the Group and the Bank.

Definition of Accounting Estimates - Amendments to IAS 8 (Effective 1 January 2023)
The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are intended to provide preparers of financial statements with greater clarity as to the definition of accounting estimates, particularly in terms of the difference between accounting estimates and accounting policies.

These amendments are not expected to have any impact on the financial statements of the Group and the Bank.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. These amendments are not expected to have any impact on the financial statements of the Group and the Bank.

2. Adoption of Standards, Interpretation and Amendments (Continued)

2.2 Standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted (continued)

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback (Effective 1 January 2024)
The amendment to IFRS 16 Leases specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. After the commencement date in a sale and leaseback transaction, the seller-lessee applies paragraphs 29 to 35 of IFRS 16 to the right-of-use asset arising from the leaseback and paragraphs 36 to 46 of IFRS 16 to the lease liability arising from the leaseback. In applying paragraphs 36 to 46, the seller-lessee determines ‘lease payments’ or ‘revised lease payments’ in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease, as required by paragraph 46(a) of IFRS 16.

The amendment does not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining ‘lease payments’ that are different from the general definition of lease payments in Appendix A of IFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with IAS 8. These amendments are not expected to have any impact on the financial statements of the Group and the Bank.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies

(a) Statement of Compliance and Basis of Preparation

The Group's financial statements have been prepared in accordance and comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the relevant requirements of the Jamaica Mortgage Bank Act,1973.

These financial statements are prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The financial statements are presented in Jamaican dollars, which is the functional currency of the Group, and rounded to the nearest thousand, unless otherwise stated.

(b) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Bank and the entity controlled by the Bank (its subsidiary, JMB Developments Limited). Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary. Total comprehensive income of the subsidiary is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income, and expenses are eliminated in full on consolidation.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(b) Basis of Consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Group.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e., reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

(c) Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. These judgements, estimates and assumptions affect the reported amounts of, and disclosures relating to, assets, liabilities, income, expenses, contingent assets, and contingent liabilities. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Critical Accounting Estimates and Judgements in applying the Group's Accounting Policies

i. Classification of Financial Asset
The assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial assets are solely payments of principal and interest on the principal payment amount outstanding requires management to make certain judgments on its business operations.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(c) Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

Critical Accounting Estimates and Judgements in applying the Group's Accounting Policies (continued)

ii. Impairment of Financial Assets
Establishing the criteria of determining whether credit risk of the financial assets has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of expected credit losses (ECL) and selection and approval of models used to measure ECL requires significant judgement.

Risk of estimation uncertainty

1. Measurement of Expected Credit allowance/provision under IFRS 9
The measurement of expected credit allowance for financial assets measured at amortized cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g., That is the likelihood of borrowers defaulting and the resulting loss).

   A number of significant judgements are also required in applying the accounting requirements for measuring expected credit losses, as follows:

   - Determining criteria for significant increase in credit risk;
   - Selecting appropriate models and assumptions for the measurement of expected credit losses;
   - Establishing the number and relative weightings of forward-looking scenarios for each type of product or market and associated expected credit loss;
   - Establishing groups of similar financial assets for the purpose of measuring expected credit losses.

2. Key Sources of Estimation Uncertainty
The following are key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

   - Pension and Other Post-Employment Benefits:

     The amounts recognized in the statements of financial position for pension and other post-employment benefits of an asset of $25.37 million (2022: $43.33 million) (Note 7) are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognized include the discount rate used to determine the present value of estimated future cash flows required to settle the pension obligations and to determine the return on plan assets.

     The Bank's defined benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds or, in their absence, certain Government of Jamaica bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of the bonds include the issue size of the bonds and the quality of the bonds. There are also demographic assumptions that impact the result of the valuation. Any changes in these assumptions will impact the amounts recorded in the financial statements for these obligations. Note 7(e) details sensitivity analyses in respect of some of these assumptions.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(c) Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

Critical Accounting Estimates and Judgements in applying the Group's Accounting Policies (continued)

Risk of estimation uncertainty (continued)

2. Key Sources of Estimation Uncertainty (continued)

- Loans to borrowers and provision for expected credit losses

Loans are recognized when cash is advanced to borrowers.

The Group, under the IFRS 9 Expected Credit Loss (ECL) impairment framework, recognizes ECLs on loans, taking into account past events, current conditions, and forecast information. In this regard, the Group determines the economic variables that are likely to influence the borrowers' ability to meet their loan obligations in the future and incorporate such forward looking economic information in the overall estimation of the expected credit loss.

Additionally, the entity is required to update the amount of ECLs recognized for each loan to borrowers that is held solely for the collection of principal and interest in accordance with the contractual arrangement between the Group and the borrower. Therefore, loans are classified under the hold to collect business model and are measured at amortized cost.

The Group assigns an initial risk rating to each loan at the date of disbursement. The risk rating is determined by the credit score assigned and categorized in the recognized credit score bands.

Loan Staging
By way of disclosure, the entity estimates and reports the ECL on a stage by stage basis.

Stage 1
Loans are placed in Stage 1 at origination and remain in this stage provided that such loans have not experienced a significant increase in credit risk. The Group recognizes an allowance based on twelve (12) months ECLs. These loans are not in arrears for more than ninety days (90) days and have an internal credit risk rating of 1-15.

Stage 2
Loans are transitioned to Stage 2 when there is evidence that such loans have experienced a significant increase in credit risk. The Group records an allowance for lifetime expected credit losses. This stage also includes facilities where the credit risk has improved, and the loan has been reclassified from Stage 3 and they have arrears for over ninety (90) days but less than two hundred and seventy (270) days. Stage 2 loans have an internal credit risk rating of 16-45.

Stage 3
Loans that are considered credit impaired and an allowance for lifetime is expected as credit losses. These loans are in default over two hundred and seventy (270) days and have an internal credit risk rating of forty-six (46) and above.

In measuring ECL in accordance with IFRS 9 forward-looking information is considered. The Bank establishes provisions for credit losses that are expected to arise over the life of the assets.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(c) Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

Critical Accounting Estimates and Judgements in applying the Group's Accounting Policies (continued)

Risk of estimation uncertainty (continued)

2. Key Sources of Estimation Uncertainty (continued)

- Taxes

  Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. The Group establishes provisions, based on reasonable estimates taking cognizance of possible differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the Group.

  Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies (Note 24).

  Management exercises judgement in designating withholding tax recoverable as collectible. On this basis, the carrying value approximates the fair value.

(d) Financial Instruments

Financial instruments include transactions that give rise to both financial assets and financial liabilities.

Financial assets and liabilities are recognized on the Group and Bank's statement of financial position when the Group or Bank becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities (except for financial assets and financial liabilities at fair value through profit or loss where such costs are recognized immediately in profit or loss), as appropriate, on initial recognition.

The fair values of financial instruments are discussed in Note 27. Listed below are the Group's financial assets and liabilities and the specific accounting policies relating to each.

i. Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVPTL). The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(d) Financial Instruments (continued)

i. Financial assets (continued)

Initial recognition and measurement (continued)
The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g., financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest (SPPI)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

- *Amortized cost:* Assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI') and that are not designated at FVTPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured in accordance to IFRS 9. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest method.

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

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

The SPPI test
‘Principal’ for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(d) Financial Instruments (continued)

i. Financial assets (continued)

The SPPI test (continued)
The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost (debt instruments)
This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified, or impaired.

The Group's financial assets at amortized cost includes loans receivables, other receivables, certificates of deposits, resale agreements and cash and bank balances.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(d) Financial Instruments (continued)

i. Financial assets (continued)

Derecognition
The Group derecognizes a financial asset in accordance with IFRS 9, when its contractual rights to the cash flows from the assets expire, or when the Group transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g., when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized is recognized in profit or loss.

Impairment
At each reporting date the Group assesses whether there is objective evidence that financial assets are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an adverse impact on the future cash flows of the asset that can be estimated reliably.

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(d) Financial Instruments (continued)

i. Financial assets (continued)

Impairment (continued)
The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Group recognizes loss allowances for expected credit losses (ECL) on financial assets that are debt instruments that are not measured at Fair Value Through Profit & Loss (FVTPL). Loss allowances are measured at an amount equal to lifetime ECL except for the following which are measured as a 12-month ECL:

- debt investment securities that are low in risk
- other financial instruments (other than lease receivables) on which credit risk is not increased significantly.

Twelve-month ECLs are the portion of ECL that result from default events of a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognized is referred to as Stage 1 financial instrument.

Lifetime ECLs are the ECL that result from all possible default events over the expected life of the financial instrument. Financial Instruments for which lifetime ECL is recognized and is not credit-impaired is referred to Stage 2 financial instruments.

At each reporting date, the Group assesses whether the financial assets carried at amortized cost are credit-impaired (referred to as Stage 3 financial assets). At each reporting date, the Group is required to update the amount of ECLs recognized to reflect changes in credit risk of the loan portfolio. At least once annually, the Group re-assesses the risk rating bands and carries out the necessary adjustments in order to ensure that the rating bands are consistent with prevailing trends and conditions.

The Group considers a financial asset in default when contractual payments are 270 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.
The calculation of ECLs
The Group calculates ECLs based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(d) Financial Instruments (continued)

i. Financial assets (continued)

Impairment (continued)

The calculation of ECLs (continued)

- EAD - The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

Incorporation of forward- looking information
The assessment of significant increase in credit risk and the calculation of the ECL incorporates forward looking information along with key economic indicators impacting credit risk and expected credit risk for each portfolio.

The impact of these economic variables on the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) is determined by performing trend analysis and comparing historical information with forecast macroeconomic data to decide the impact on default rates and on LGD and EAD.

The Group performs scenarios considering the expected impact of interest rates unemployment rates, gross domestic products on a yearly basis.

Collateral valuation
To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible that comes in the form of real estate or debentures. Collateral, unless repossessed, is not recorded on the Group's consolidated statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and is not updated except when a loan is individually assessed as impaired.

The Group's credit risk management policies include requirements relating to collateral valuation and management, including verification requirements and legal certainty. Valuations are updated periodically. Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement during its periodic review of loan accounts in arrears. Policies are in place to monitor the existence of undesirable concentration in the collateral supporting the Bank's credit exposure.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(d) Financial Instruments (continued)

i. Financial assets (continued)

Collateral repossessed
The Group's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Group's policy.

Write-offs
Financial assets are written off, either partially or in their entirety, only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

ii. Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.
All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.
The Group's financial liabilities include trade and other payables and borrowings.
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate (EIR) method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.
Derecognition
A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in the statement of comprehensive income.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(e) Fair value measurement

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments, fair value is determined using valuation techniques. The Group generally uses net present value techniques or the discounted cash flow method.

The Group has no financial instruments which are measured at fair value. The fair values of financial instruments measured at amortized cost are disclosed in Note 27.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets for which fair value is disclosed in the financial statements are categorized within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole, described as follows:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets and liabilities
Level 2 - Valuation techniques for which the lowest level input that significant to the fair value measurement is directly or indirectly observable
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

(f) Property and equipment

Property and equipment held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at historical cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation is recognized in order to write off the cost or valuation of assets (other than land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(f) Property and equipment (continued)

Freehold land is not depreciated. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	50 years
Furniture, Fixtures and Equipment	10 years
Computer Equipment	4 years
Machinery	10 years

Repairs and maintenance costs are recognized in profit or loss.

An item of property and equipment is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in profit or loss.

(g) Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(g) Impairment of tangible and intangible assets (continued)

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or the cash-generating unit) in prior years.

A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(h) Employee benefits

Employee benefits are all forms of consideration given by the Group in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, National Insurance Scheme (NIS) contributions, annual vacation and sick leave, and non-monetary benefits such as medical care and housing; post-employment benefits such as pensions; and other long-term employee benefits such as termination benefits.

i. Employee benefits that are earned as a result of past or current service are recognized in the following manner: Short-term employee benefits are recognized as a liability, net of payments made, and charged as expense. The expected cost of vacation leave that accumulates is recognized when the employee becomes entitled to the leave. Post-employment benefits are accounted for as described below.

ii. The Bank operates a defined benefit pension plan for qualifying employees. The plan is exposed to interest rate risk, inflation, and changes in life expectancy for pensioners. Note 7(d) details the plan's exposure in respect of various financial assets. The effect on the financial statements of the undertaking to provide post-employment benefits, comprising pensions, are actuarially determined by a qualified external actuary (using the projected unit credit method), appointed by management. The appointed actuary's report outlines the scope of the valuation and the actuary's opinion. The actuarial valuations are conducted in accordance with IAS 19, and the financial statements reflect the Group and Bank's post-employment benefit asset and obligation as computed by the actuary.

    In carrying out their audit, the auditors rely on the actuary's report.

    The Bank and Group's net obligation in respect of the plan is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; that value is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is determined by reference to the yield at each reporting date on long-term government bonds of maturities approximating the terms of the Bank and Group's obligation.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(h) Employee benefits (continued)

ii. (continued)

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest and the return on plan assets (excluding net interest), are recognized immediately in the statement of financial position with a corresponding debit or credit to the retained earnings through OCI in the period in which they occur. Re-measurements are not classified to profit or loss in subsequent periods.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Bank and Group recognizes service costs (current service cost, past service cost, gains and losses on curtailments) and net interest expense/income in the staff costs in the statement of comprehensive income. Where the calculation results in a pension surplus to the Bank and Group, the recognized asset is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan, less any unrecognized actuarial losses and past service costs.

The trustees ensure benefits are funded, benefits are paid, and assets are invested to maximize return subject to acceptable investment risks while considering the liability profile. The board of trustees (including sponsor, employee, and pensioner representatives) have contracted a pension services provider to administer the plan's activities. The plan is not registered with the Financial Services Commission.

(i) Investment in subsidiary

The Bank's investment in its subsidiary is stated at cost.

(j) Land held for development and sale

Land held for development and sale is shown at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to sell.

(k) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(l) Non-current assets held-for-sale

The Group classifies non-current assets as held-for-sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets held for sale are measured at the lower of their carrying amounts and fair value less cost to sell. The criteria for held-for-sale classification is regarded as met only when the sale is highly probable, and the asset is available for immediate sale in its present condition.

(m) Resale agreements

Securities purchased under agreements to resell them on a specified future date and at a specified price (resale agreements) are accounted for as short-term collateralized lending, classified as amortized cost (see Note 3(d)), and the underlying asset is not recognized in the Group's financial statements. The difference between the purchase price and the amount receivable on resale is recognized as interest income over the term of the agreement using the effective interest method. It is the policy of the Group to obtain possession of collateral, with a market value equal to, or in excess of, the principal amount loaned and interest to be earned.

(n) Certificates of deposit

Certificates of deposit are short-term deposits held with financial institutions, classified as amortized cost (see Note 3(d)).

(o) Cash and cash equivalents

Cash comprises cash on hand and in banks. Short-term deposits are highly liquid investments with an original maturity of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank and in hand.

(p) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(p) Taxation (continued)

Deferred tax
Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year
Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(q) Revenue

Revenue is recognized to the extent that it is probable that future economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is recognized when, or as, a performance obligation is satisfied by transferring control of the service to the customer, in the amount of the consideration to which the Group expects to be entitled. Revenue may therefore be recognized at a point in time upon completion of the service or over time as the services are provided. When revenue is recognized over time, the Group is generally required to provide the services each period and therefore measures its progress towards completion of the service based upon the time elapsed.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(q) Revenue (continued)

i. Interest income

Interest income is recognized in profit or loss for all interest earning instruments on the accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset (or, where appropriate, a shorter period) to the carrying amount of the financial asset at initial recognition. Interest income includes coupons earned on fixed income investments, accretion of discount on instruments purchased at a discount, and amortization of premium on instruments purchased at a premium.

When interest-earning financial assets are impaired, they are written down to their recoverable amounts and interest income is thereafter recognized based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

ii. Other income

Other income includes commitment fees and management fees in relation to the management of the Mortgage Insurance Fund. Commitment fees are recognized in profit or loss at the point in time when the borrower accepts the terms of the credit in writing.

Management fees are primarily based on the respective value of assets under administration (AUA) and are recognized over the period that the related services are provided. Other amounts included in other income are generally recognized on the accrual basis.

(r) Interest expense

Interest expense is recognized in profit or loss on the accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability to the carrying amount of the financial liability on initial recognition. Interest expense includes coupons paid on fixed rate instruments and accretion of discount or amortization of premium on instruments issued at other than par.

(s) Foreign currencies

In preparing the financial statements of the Group, transactions in currencies other than the Group's functional currency, the Jamaican dollar, are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured in fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on items whose fair values gain is recognized in other comprehensive income or profit, or loss are also recognized in other comprehensive income or profit or loss, respectively). Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.
Exchange differences are recognized in profit or loss in the period in which they arise.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(t) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.
A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023
(Expressed in Jamaican Dollars unless otherwise indicated)

4. Property and Equipment

	Freehold land	Furniture fixtures and equipment	Freehold buildings	Machinery	Motor vehicles	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Group and Bank						
At Cost or valuation:						
31 March 2021	3,000	40,753	72,110	110	6,214	122,187
Additions	-	518	-	-	-	518
Disposal	-	(428)	-	-	(6,214)	(6,642)
31 March 2022	3,000	40,843	72,110	110	-	116,063
Additions	-	1,833	-	-	-	1,833
31 March 2023	3,000	42,676	72,110	110		117,896
Accumulated Depreciation:						
31 March 2021	-	33,850	38,859	110	2,543	75,362
Charge for the year	-	2,139	1,893	-	368	4,400
Disposal	-	(427)	-	-	(2,911)	(3,338)
31 March 2022	-	35,562	40,752	110	-	76,424
Charge for the year	-	2,243	1,712	-	-	3,955
31 March 2023	-	37,805	42,464	-	-	80,379
Net book values:						
31 March 2023	3,000	4,871	29,646	-	-	37,517
31 March 2022	3,000	5,281	31,358	-	-	39,639

Property located at 33 Tobago Avenue, Kingston has been pledged as collateral for Bond 12B (Note 19 (b)).

5. Land Held for Development and Sale

The amounts represent the inventory of several properties acquired by the Group which are being held for sale in some cases, possibly, after development.

(a) The property held by the subsidiary was acquired from the Ministry of Transport, Works, and Housing (the Ministry) for $1,000 on condition that the Ministry would be beneficially entitled to twenty percent (20%), or otherwise to be agreed, of the residential serviced lots or houses thereafter developed on each of the properties comprising the said lands, such lots to be identified and agreed from time to time by the Ministry and the subsidiary. The subsidiary would be beneficially entitled to the remaining eighty percent (80%) of such residential serviced lots.

The condition to the agreement, as outlined above, was not fulfilled and subsequently an agreement was arrived at to transfer other lands to the Bank to cover the terms of the agreement. In the 2010/2011 financial year, the Ministry transferred the Whitehall property to the Bank in part settlement of the obligation of the subsidiary.

(b) The following properties are held by the Bank:

	2023 $'000	2022 $'000
Whitehall	270,000	270,000
Phoenix Park	24,100	24,100
Norwich	45,888	45,888
Mount Gotham	65,000	65,000
Ocean Terrace	48,500	70,900
	453,488	475,888

		2023 $'000	2022 $'000
(c)	Bank	453,488	475,888
	Subsidiary	1	1
	Group	453,489	475,889

6. Interest in subsidiary

	2023 $'000	2022 $'000
Long-term loan (a)	117,197	117,197
Recoverable charges (b)	9,617	8,679
	126,814	125,876

On 5 January 1999, the Bank formed a wholly-owned subsidiary, JMB Developments Limited, ("JMBD") to carry on the business of residential, commercial, and industrial real estate development. On 5 July 1999, the subsidiary commenced operations; however, it is currently inactive. JMBD had a deficiency in assets at the reporting date. The Bank has pledged to and continues to support the subsidiary.

(a) The long-term loan, which represents drawdowns under a $250,000,000 facility, should have been repaid over the 5 years ended 31 March 2006, after a moratorium of 24 months on principal. The balance shown represents past-due amounts of $117 million (2022: $117 million). The loan is interest free and is collateralized by lands with value in excess of the loan balance and as such is recoverable.

(b) Transactions represent payments made by the Bank on behalf of the subsidiary for certain administration or operating expenses.

7. Post-Retirement Benefits

(a) Retirement pensions are the only post-employment benefits provided by the Group. For this purpose, the Group operates a contributory, defined-benefit pension plan, the assets of which are held separately from those of the Group. The plan is governed by the Jamaica Mortgage Bank Act, 1973 and the Jamaica Mortgage Bank (Pensioners) Regulations, 1978. The plan's activities are controlled by the Board of Trustees, which consists of a number of employer and employee representatives. The Board of Trustees is responsible for the administration of the plan assets and the definition of the investment strategy. Since August 1993, a life assurance company has been engaged to execute this role.

The plan requires the establishment of a fund which is subject to triennial actuarial funding valuation, carried out by an external firm of actuaries. The latest actuarial valuation for funding purposes undertaken as at 31 July 2022, indicated a past service surplus of $124.931 million. The actuaries recommended that, given the value of the fund at the valuation date, no further contribution was needed from the Bank, or the Bank could contribute a minimum of $1 per annum. However, the Bank has continued to contribute at a reduced rate of 2.6% of pensionable salaries. The employees of the Bank pay a compulsory contribution of 5% of basic salary with the option to contribute up to a maximum rate so that the total contribution (employee and employer) sum to 20% of pensionable salaries. Benefits are determined on a prescribed basis and are payable at a rate of 2% of the final pensionable salary times pensionable service. The next valuation is due on 31 July 2025.

7. Post-Retirement Benefits (Continued)

(a) (continued)
The final pensionable salary is calculated as the average of the basic salary over the three years of employment preceding the date of retirement for all pensionable service. Contributions are vested after five years of pensionable service.

The vesting period was changed from ten to five years by an amendment to the trust deed by the Trustees effective 1 March 2007. The amendment was approved by the Bank's Board of Directors in August 2007.

The plan has financial risk management policies which are directed by the Trustees. The policies are in respect of the plan's overall business strategies and its risk management philosophy. This risk management programme seeks to minimize potential adverse effects of financial performance of the Plan through risk reports from the fund manager which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk, liquidity risk and operational risk.

The most recent actuarial valuation of the plan's assets and the present value of the defined benefit obligations for IFRS purposes was carried out on 19 May 2023 (2022: 28 April 2022) by Rambarran & Associates Limited, Consulting Actuaries. This valuation was in respect of balances at 31 March 2023 and 2022. The valuation was carried out using the projected unit credit method.

(b) The amount recognized in the financial statement in respect of the plan are as follow:
i. Plan Assets recognized in the Statement of Financial Position:

	Group and Bank	
	2023	**2022**
	$'000	**$'000**
Present value of fund obligations	(207,772)	(268,385)
Fair value of plan asset	282,627	311,719
Unrecognized asset due to asset ceiling	(49,484)	-
	25,371	43,334

ii. Movements in net asset recognized in the Statement of Financial Position:

	Group and Bank	
	2023	**2022**
	$'000	**$'000**
Net defined benefit asset at the beginning of the year	43,334	48,037
Employer contribution	1,145	1,143
Bank expense	(2,322)	(3,578)
Remeasurement loss recognized in OCI	(16,786)	(2,268)
	25,371	43,334

7. Post-Retirement Benefits (Continued)

(b) The amount recognized in the financial statement in respect of the plan are as follows: (continued)

iii. Expense/(Income) recognized in the Statement of Comprehensive Income:

	Group and Bank	
	2023 $'000	2022 $'000
Current service cost	6,035	7,912
Net interest cost		
Interest on defined benefit obligation	20,953	21,519
Interest income on plan asset	(24,666)	(25,853)
Expense recognized in net profit	2,322	3,578
Change in financial assumptions	(64,497)	8,784
Experience adjustments	81,283	(6,516)
	16,786	2,268

(c) Movement in present value of obligation

	Group and Bank	
	2023 $'000	2022 $'000
Present value at beginning	268,385	266,832
Service cost	6,035	7,912
Interest cost on defined obligation	20,953	21,519
Member contribution	5,113	4,868
Benefits paid	(16,188)	(30,781)
Values of annuities purchased	2,999	2,884
Remeasurement - change in financial assumptions	(78,184)	8,884
Remeasurement - change in experience assumptions	(1,341)	(13,733)
	207,772	268,385

7. Post-Retirement Benefits (Continued)

(d) Movements in fair value of plan assets

	Group and Bank	
	2023	**2022**
	$'000	**$'000**
Fair value of plan assets at beginning of year	311,719	314,869
Contributions paid - employer	1,145	1,143
- employee	5,113	4,868
Interest income on plan assets	24,666	25,853
Benefits paid	(16,188)	(30,781)
Values of annuities purchased	2,999	2,884
Remeasurement – changes in financial assumptions	(13,687)	100
Remeasurement – changes in experience adjustment	(33,140)	(7,217)
Fair value of plan assets at end of year	282,627	311,719
Plan assets consist of the following:		
Investment in pooled investment funds with investment strategies as follows:		
Equities	69,628	82,169
Fixed income securities	33,061	54,253
Mortgage and real estate	27,490	25,197
Foreign currency fund	55,187	52,697
International equity fund	10,899	17,883
Global market fund	15,422	25,698
CPI fund	34,974	7,661
Annuity purchased	38,196	49,449
Other	(2,230)	(3,288)
Total invested assets	282,627	311,719

(e) Principal actuarial assumptions used for the purpose of the actuarial valuations are as follows:

	Group and Bank	
	2023	**2022**
	%	**%**
Discount rate at 31 March	13.00	8.00
Future salary increases	7.50	5.50
Future pension increases	4.50	4.00
Administrative expense	1.00	1.00
Inflation	5.50	5.00
Minimum funding rate	0.25	0.25

7. Post-Retirement Benefits (Continued)

(e) Principal actuarial assumptions used for the purpose of the actuarial valuations are as follows: (continued)

Demographic Assumptions

i. Mortality

American 1994 Group Annuitant Mortality Static (GAM94S) table with mortality improvement of 5 years.

Mortality rates per 1,000 are set out below:

Age	Males	Females
20 – 30	0.35 – 0.66	0.22 – 0.29
30 – 40	0.66 – 0.85	0.29 – 0.48
40 – 50	0.85 – 1.58	0.48 – 0.97
50 – 60	1.58 – 4.43	0.97 – 2.29
60 – 70	4.43 – 14.54	2.29 – 8.64

ii. Retirement - males and females are assumed to retire at age 60.

iii. Terminations - No assumption was made for exit prior to retirement.

A quantitative sensitivity analysis for significant assumptions is shown below:

As at 31 March 2023

	Discount rate		Salary growth	
	1% increase	**1% decrease**	**1% increase**	**1% decrease**
Sensitivity level	**$'000**	**$'000**	**$'000**	**$'000**
Impact on defined benefit obligation	(10,235)	12,431	2,959	(2,594)

As at 31 March 2022

	Discount rate		Salary growth	
	1% increase	**1% decrease**	**1% increase**	**1% decrease**
Sensitivity level	**$'000**	**$'000**	**$'000**	**$'000**
Impact on defined benefit obligation	(21,112)	27,190	6,677	(5,843)

7. Post-Retirement Benefits (Continued)

(e) Principal actuarial assumptions used for the purpose of the actuarial valuations are as follows: (continued)

A quantitative sensitivity analysis for significant assumptions is shown below: (continued)

As at 31 March 2023

	Future Pension Increase		Mortality Improvement	
	1% increase	**1% decrease**	**1 year increase**	**1 year decrease**
Sensitivity level	**$'000**	**$'000**	**$'000**	**$'000**
Impact on defined benefit obligation	17,691	(15,352)	1,467	(1,509)

As at 31 March 2022

	Future Pension Increase		Mortality Improvement	
	1% increase	**1% decrease**	**1 year increase**	**1 year decrease**
Sensitivity level	**$'000**	**$'000**	**$'000**	**$'000**
Impact on defined benefit obligation	30,501	(25,620)	3,539	(3,570)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

(f) Defined benefit pension plan amounts for the current and previous four years were as follows:

	Group and Bank				
	2023	**2022**	**2021**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Present value of obligation	(207,772)	(268,385)	(266,832)	(253,288)	(194,109)
Fair value of plan assets	282,627	311,719	314,869	289,673	294,586
Unrecognized asset due to ceiling	(49,484)	-	-	-	(44,416)
Net asset in the statement of financial position	25,371	43,334	48,037	36,385	56,061

(g) The estimated contributions (for both employer and employee) expected to be paid into the pension fund during the next financial year amount to $6.794 million (2022: $5.095 million).

(h) The expected pension benefit income in the next year is expected to be $1.030 million (expense 2022: $2.368 million).

(i) The weighted average duration of the defined benefit obligation at the end of the reporting period is 32 years (2022: 32 years).

8. Loans Receivable

	Group and Bank	
	2023	2022
	$'000	$'000
Construction loans - non-governmental borrowers (see Note 8 (a))	4,918,415	4,240,419
Accrued interest receivable	511,094	276,501
	5,429,509	4,516,920
Less: Provision for expected credit loss (see Note 8(b))	(125,942)	(148,570)
	5,303,567	4,368,350
Mortgages (see Note 8(d)) - Staff	1,995	4,057
- Ex staff members	2,070	2,550
	4,065	6,607
	5,307,632	4,374,957
Consists of:		
Current	5,304,330	4,094,741
Non-current	3,302	280,216
	5,307,632	4,374,957

(a) Construction loans are issued at interest rates ranging from 10.00% - 15.50% (2022: 9.95% - 13.75%). The loans are repayable over periods of 12 to 24 months. The loans are generally secured by the properties being developed. An assignment of Mortgage Charge over residential development properties (currently under construction) provides security for $2.031 billion of loan payable facilities (Notes 17(a) and 17 (c)). Included in construction loans is a syndicated loan arrangement with Sagicor Bank for loan commitment of $827.5M to one developer. See Note 17(h).

(b) Movement on allowance for impairment losses on loans:

	Group and Bank	
	2023	2022
	$'000	$'000
At beginning of year	148,570	249,943
Expected credit loss	43,661	71,572
Write-offs	-	(121,396)
Amounts recovered during the year	(66,289)	(51,549)
At end of year	125,942	148,570

(c) Net (recoveries)/charges of expected credit losses recognized in the statement of comprehensive income:

	Group and Bank	
	2023	2022
	$'000	$'000
Expected credit loss charge	43,661	71,572
Amounts recovered during the year	(66,289)	(51,549)
At end of year	(22,628)	20,023

(d) The mortgage loans are repayable over periods of 10 to 18 years and at varying interest rates.

9. Tax Recoverable

Tax recoverable represents withholding tax and income tax recoverable, either the net of partial amounts recovered or total outstanding amounts as a 31 March 2023. The Bank continues to work with the investment houses and dialogue with the tax authorities to settle the withholding taxes outstanding. Income tax recoverable at year end is $18.92 million (2022: $24.94 million).

10. Receivables and Prepayments

	Group and Bank	
	2023	**2022**
	$'000	**$'000**
Receivables	60,077	28,069
Prepayments	2,968	583
	63,045	28,652

11. Certificates of Deposit

	Group and Bank	
	2023	**2022**
	$'000	**$'000**
Certificates of deposit	25,613	25,078
Interest receivable	53	36
	25,666	25,114

The certificates of deposit are made for a period of three months and one year and earn interest at a rate of 3.15% to 3.50% (2022: 3% to 3.15%) per annum.

The Bank and Group have pledged $24.61 million (2022: $24.69 million) of its certificate of deposits to fulfil collateral requirements. Refer to Notes 17 (a), 19 (a) and 27 (c) for further details.

12. Resale Agreements

	Group and Bank	
	2023	**2022**
	$'000	**$'000**
Repurchase agreements	6,640	6,541
Interest receivable	261	53
	6,901	6,594

The US$ securities totaling US$44,275 (2022: US$43,014) which mature within four months after year end, earn interest at a rate of 3.65% and 4.35% (2022: 3.50% and 3.70%) per annum.

13. Cash and Cash Equivalents

	Group and Bank	
	2023 $'000	2022 $'000
Petty cash	35	35
Current account	501,361	42,644
Savings accounts	3,089	424
	504,485	43,103

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Bank or Group, and earn interest at the respective short-term deposit rates.

14. Share Capital

	Group and Bank	
	2023 $'000	2022 $'000
Authorized, issued, and fully paid:		
500,000,000 ordinary shares of no par value at the beginning and end of the year	500,000	500,000

15. Reserve Fund

The reserve fund was created in accordance with the provisions of Section 13 of the Jamaica Mortgage Bank Act 1973, which requires that a minimum of 25% of the Bank's profit after taxation (if any) be set aside in each calendar year towards a reserve fund to meet contingencies, until the total amount standing to the credit of the reserve fund equals the paid up capital of the Bank. As the reserve fund is now equal to the paid up capital (Note 14), no further transfers are required (see also Note 16).

16. Special Reserve Fund

By resolution of the Board, a special reserve fund was created to deal with any unforeseen contingencies that might occur above the amount of the existing reserve fund (Note 15).

17. Borrowings

	Group and Bank	
	2023	2022
	$'000	$'000
a) Sagicor Bank Revolving $800M	800,000	800,000
b) Proven Bond $1B	1,000,000	1,000,000
c) Development Bank of Jamaica	500,000	-
d) MIF term loan	800,000	-
e) NCB Revolving $500M	499,470	499,921
f) Shelter Bond 12B	-	150,000
g) Shelter Bond 14	-	150,000
h) Sagicor – Syndicated loan	168,511	-
	3,767,981	2,599,921
Unamortized bond issuance costs (Note 17(i))	(29,898)	(15,795)
	3,736,083	2,584,126
Accrued interest	35,363	982
	3,773,446	2,585,108

	Group and Bank	
	2023	2022
	$'000	$'000
Current	1,548,903	799,110
Non-current	2,224,543	1,785,459
	3,773,446	2,584,569

(a) In May 2021, the Bank accessed a $800 million revolving loan from Sagicor Bank Jamaica Limited at a fixed rate of 6.45%. On July 2021 the Bank drew down $575 million from the facility and subsequently increased its draw down in October 2021 to $800 million. The initial drawdown is for 24 months, unsecured and interest payments are due quarterly. The final drawdown is for 21 months, and interest payments are due quarterly. The facility was extended to mature on 30 June 2024. It is secured by a letter of negative pledge and an Interest Reserve Account which should be equivalent to at least three months interest payment. An assignment of Mortgage Charge over residential development property (currently under construction) provides security for $586M of the facility (Note 8). As at 31 March 2023, certificate of deposits held in respect of this facility amounted to $12.90 million (Note 11 and Note 26(c)).

(b) In March 2022, the Bank issued a $1B Bond at a fixed rate of 7.25% for three (3) years. The bond is repayable in full on 31 March 2025.

(c) In March 2023, the Bank accessed a $1 billion loan from the Development Bank of Jamaica (DBJ) at a fixed rate of 11%. $500 million of this amount was disbursed as at March 2023. The loan is for a period of two (2) years and quarterly interest and principal payment of $48.14 million is due to be made for seven quarters with the remaining principal payment at maturity. An assignment of Mortgage Charge over residential development properties (currently under construction) provides security for $1.44 billion of the facility (Note 8).

17. Borrowings (Continued)

(d) The Bank received an unsecured revolving loan facility in April 2022 of $800 million at a fixed rate of 6.36%. The loan is for a period of two (2) years with maturity in March 2024.

(e) In October 2018, the Bank received a revolving loan at a fixed rate of 7.90%. The revolving loan facility is for 24 months to revolve at least once bi-annually. Interest payments are due quarterly. The facility expired on 2 October 2020 and was extended for a further 24 months until 2 October 2022, subject to annual review. The loan was extended for another 3 months to 3 January 2023 and on maturity it was refinanced for a further 12 months to mature in March 2024. The loan is secured by a letter of negative pledge and an Interest Reserve Account which should be equivalent to at least three months interest payment. As at 31 March 2023, certificates of deposits held in respect of this facility amounted to $11.71 million. (See Note 11)

(f) In July 2014, the Bank issued Shelter Bond 12B which was repaid in full on 23 July 2017. A new bond was issued in September 2017 at a rate of 8.00% and variable thereafter at 1.10% above the 6 months WATBY rate. The bond was secured by a property located at 33 Tobago Avenue (See Note 4) and was repaid in full on 27 September 2022.

(g) In November 2017, the Bank issued Shelter Bond 14, at a fixed rate of 8.00% for two (2) years and variable thereafter at 1.10% above the 6 months WATBY rate. The bond was repaid in full on 30 November 2022.

(h) In May 2022, the Bank entered into a syndicated loan arrangement with Sagicor Bank Jamaica Limited (49% participation) for a total loan commitment of $827.50 million in respect of one developer, with the Bank being the lead bank with 51% participation (Note 8(a)). The loan is at a rate of 9.50% and for a period of 21 months.

(i) Unamortized bond issuance costs

	Group and Bank	
	2023	**2022**
	$'000	**$'000**
Balance, beginning of the year	15,795	3,636
Incurred during the year	25,725	17,131
Amortised during the year	(11,622)	(4,972)
Balance, end of the year	29,898	15,795

There were no variable rate facilities at year end.

There have been no breaches of the covenants in the current and prior year.

18. Payables and Accruals

	Group and Bank	
	2023	**2022**
	$'000	**$'000**
Other payables	20,018	58,494
Accruals	18,268	18,315
	38,286	76,809

19. Interest Income

	Group and Bank	
	2023	2022
	$'000	$'000
Construction loans	513,660	380,486
Mortgage loans	541	687
	514,201	381,173
Deposits (including cash and cash equivalents)	4,262	1,352
	518,463	382,525

20. Other Income

	Group and Bank	
	2023	2022
	$'000	$'000
Administration fee – Mortgage Insurance Fund	38,816	36,377
Commitment and administration fees	35,714	21,571
Settlement of loans receivable	21,933	70,158
Other	22,007	19,538
	118,470	147,644

21. Staff Costs

The aggregate cost of employees was as follows:

	Group and Bank	
	2023	2022
	$'000	$'000
Salaries and wage-related expenses	108,547	96,071
Statutory payroll contributions	11,643	10,131
Employee benefit expense (Note 7(b)(ii))	2,322	3,578
Staff welfare	15,995	15,227
	138,507	125,007

22. Administrative and General Expenses

	Group		Bank	
	2023	2022	2023	2022
	$’000	$’000	$’000	$’000
Utilities	6,981	5,947	6,981	5,947
Printing, postage, and stamp	1,827	1,860	1,814	1,860
Repairs and maintenance	1,741	1,945	1,741	1,945
Insurance	1,063	1,406	1,063	1,406
Legal and professional fees	2,056	3,284	1,216	3,180
Auditor's remuneration	6,518	5,301	6,468	5,251
Mortgage processing fees	207	525	207	525
Depreciation	3,955	4,400	3,955	4,400
Subscriptions and publications	750	732	760	732
Customer services and activities	1,969	1,598	1,969	1,598
Non-recoverable G.C.T.	4,861	3,652	4,861	3,652
Withholding tax write off	44,014	-	44,014	-
General expenses	2,495	1,621	2,485	1,573
Property tax	546	521	511	521
Donations, scholarships, and awards	156	99	156	99
Directors’ fees	1,061	1,202	1,061	1,202
Computer expenses	3,716	2,592	3,716	2,592
Meeting expenses	31	266	31	266
Security	1,198	1,065	1,198	1,065
Bank charges	3,420	132	3,420	132
Miscellaneous expenses	277	263	277	263
	88,842	38,411	87,904	38,209

23. Profit Before Taxation

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

		Group		Bank	
		2023	2022	2023	2022
		$’000	$’000	$’000	$’000
Depreciation (Note 4)		3,955	4,400	3,955	4,400
Directors’ emoluments	-fees (Note 22)	1,061	1,202	1,061	1,202
Auditors' remuneration	-current year	6,518	5,301	6,468	5,251

24. Taxation

(a) Income tax

Current and deferred taxes have been calculated using the tax rate of 25% (2022: 25%).

i. The total charge for the period comprises:

	Group and Bank	
	2023	2022
	$'000	$'000
Current tax	8,214	13,089
Employment tax credit	(2,188)	(3,833)
Deferred tax	48,829	29,385
	54,855	38,641

ii. The actual tax charge differed from the expected tax charge for the year as follows:

	Group		Bank	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Profit before taxation	210,297	241,061	211,235	241,263
Computed "expected" tax expense	52,574	60,265	52,809	60,316
Tax effect of treating the following items differently for financial statement purposes than for tax reporting purposes:				
Employment tax credit	(2,188)	(3,833)	(2,188)	(3,833)
Income not recognized	(6,727)	(35,488)	(6,727)	(35,488)
Expenses not allowed	11,617	18,888	11,617	18,888
Other	(421)	(1,191)	(656)	(1,242)
Actual tax charge recognized in the statement of profit or loss	54,855	38,641	54,855	38,641
Tax credit recognized directly in other comprehensive income	(4,196)	(567)	(4,196)	(567)

24. Taxation (continued)

(b) Deferred taxation

i. Deferred taxes are calculated on all temporary differences using the current tax rate of 25% (2022: 25%).

Analysis for financial reporting purposes:

	Group and Bank	
	2023	2022
	$'000	$'000
Deferred tax assets	14,191	6,764
Deferred tax liabilities	(132,284)	(80,224)
Net deferred tax liability	(118,093)	(73,460)

ii. The movement for the year and prior reporting period in the net deferred tax position is as follows:

	Group and Bank	
	2023	2022
	$'000	$'000
Charged to expense for the year	(48,829)	(29,385)
Credited to other comprehensive income for the period	4,196	567
Net movement	(44,633)	(28,818)

iii. The following are the main deferred tax assets and liabilities recognized by the Group and the movements thereon, during the current and prior reporting periods:

Deferred tax assets

	Group and Bank				
	Accrued vacation	Interest payable	Accelerated capital allowances	Other	Total
	$'000	$'000	$'000	$'000	$'000
At 1 April 2021	750	2,579	2,678	2,234	8,241
Credited to income for the year	60	(2,344)	394	413	(1,477)
At 31 March 2022	810	235	3,072	2,647	6,764
Credited/ (charged) to income for the year	(17)	6,686	231	527	7,427
At 31 March 2023	793	6,921	3,303	3,174	14,191

24. Taxation (continued)

(c) Deferred taxation (continued)

Deferred tax liabilities

	Group and Bank			
	Pension plan asset	**Interest receivable**	**Other**	**Total**
	$'000	**$'000**		**$'000**
At 1 April 2021	(12,009)	(40,526)	(348)	(52,883)
(Charged)/Credited to income for the year	609	(28,608)	91	(27,908)
Charged to other comprehensive income	567	-	-	567
At 31 March 2022	(10,833)	(69,134)	(257)	(80,224)
(Charged)/Credited to income for the year	294	(56,807)	257	(56,256)
Credited to other comprehensive income	4,196	-	-	4,196
At 31 March 2023	(6,343)	(125,941)	-	(132,284)

25. Related Party Balances and Transactions

A party is related to the Group and Bank if:

(a) directly, or indirectly through one or more intermediaries, the party:
(i) controls, is controlled by, or is under common control with, the Bank;
(ii) has an interest in the Bank that gives it significant influence over the Bank; or
(iii) has joint control over the Bank;

(b) the party is an associate (as defined in IAS *28, Investments in Associates and Joint Ventures)* of the Bank;

(c) the party is a joint venture in which the Bank is a venturer (see IFRS 11, Joint Arrangements*);*

(d) the party is a member of the key management personnel of the Bank;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is a Bank that is controlled, jointly controlled, or significantly influenced by, or for which significant voting power in such Bank resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Bank, or of any Bank that is a related party of the Bank.

(h) the Bank, or any member of the group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

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

25. Related Party Balances and Transactions (Continued)

Balances outstanding at the end of the reporting period:

	Group and Bank	
	2023	**2022**
	$'000	**$'000**
Due from the Mortgage Insurance Fund	7,425	10,049
Due to the Mortgage Insurance Fund	825,313	10

	Group and Bank	
	2023	**2022**
	$'000	**$'000**
Related party transaction:		
Administration fees - Mortgage Insurance Fund	38,816	36,378
Interest on loan – Mortgage Insurance Fund	(39,990)	(23,895)

These transactions were carried out in the ordinary course of business.

Balances receivable from key management personnel are as follows:

	Group and Bank	
	2023	**2022**
	$'000	**$'000**
Staff loans	1,583	2,583

Key management compensation is as follows:

	Group and Bank	
	2023	**2022**
	$'000	**$'000**
Directors' fees (Note 22)	1,061	1,202
Management remuneration	52,006	51,368
Post-employment expense	100	133

26. Financial Risk Management

Introduction and overview

The Group's activities are principally related to the use of financial instruments. The Group, therefore, has exposure to the following risks from the use of financial instruments in the ordinary course of business:

(a) credit risk
(b) market risk
(c) liquidity risk
(d) operational risk

Detailed below is information about the Group's exposure to each of the above risks and the Group's objectives, policies, and processes for measuring and managing risk.

Risk management framework
The Board of Directors of the Bank has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established Finance and Audit and Loans and Projects Committees, which are responsible for developing and monitoring risk management policies in their specified areas.

The risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, and products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Audit Committee is responsible for monitoring the Group's compliance with risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group.

Exposure to risks on financial instruments and operational risk arises in the ordinary course of the Group's operations.

(a) Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is exposed to credit risk from its operating activities (primarily loans receivables) and from investing activities including deposits with banks and financial institutions and other financial instruments. Balances arising from these activities include loans and other receivables, debt securities, resale agreements, cash and cash equivalents and accounts receivable.

The Group has credit policies aimed at minimizing exposure to credit risk, which policies include, *inter alia,* obtaining collateral in respect of loans made, and performing credit evaluations on all applicants for credit. In respect of investments and related interest receivable, these are Government of Jamaica securities or contracts secured on Government of Jamaica securities. Short-term deposits and investments are held with financial institutions that management believes do not present any significant credit risk.

26. Financial Risk Management (Continued)

(a) Credit risk (continued)

i. Exposure to credit risk

The maximum credit exposure, the amount of loss that the Group would suffer if every counterparty to the financial assets held were to default at once, is represented by the carrying amount of financial assets shown on the statement of financial position, as follows:

	Group		Bank	
	2023	**2022**	**2023**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	504,485	43,103	504,485	43,103
Certificates of deposit	25,666	25,114	25,666	25,114
Resale agreements	6,901	6,594	6,901	6,594
Receivables	60,077	28,069	60,077	28,069
Loans receivable	5,307,631	4,374,957	5,307,631	4,374,957
Loan receivable from subsidiary	-	-	126,814	125,876
	5,904,760	4,477,837	6,031,574	4,603,713

ii. Management of credit risk

(1) Loans receivable

The management of credit risk in respect of loans receivable is delegated to the Bank's Loans and Projects Committee. The Committee is responsible for oversight of the credit risk, including formulating credit policies, establishing the authorization structure for the approval of credit facilities, reviewing, and assessing credit risk, and limiting concentration of exposure to counterparties.

Exposure to credit risk is managed through regular analysis of the ability of the borrowers and potential borrowers to meet repayment obligations and by changing these lending limits where appropriate. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment.

An impairment analysis is performed at each reporting date using a model to measure expected credit losses. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecast of future economic conditions. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 8. The Group holds collateral as security against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. These collaterals are considered in the calculation of impairment as at 31 March 2023. At 31 March 2023, collaterals held resulted in a decrease in the ECL of $66.29 million (2022: $51.55 million). The Group evaluates the concentration of risk with respect to trade receivables as high, as most of its customers operate in the same market (Note 26(a)(iv)).

26. Financial Risk Management (Continued)

(a) Credit risk (continued)

ii. Management of credit risk (continued)

(2) Loan receivable from subsidiary

The directors believe that the credit risk associated with this financial instrument is minimal. The carrying amount of $126.81 million (2022: $125.88 million) at the report date represents the Bank's maximum exposure of this class of financial assets.

(3) Resale agreements

Collateral is held for all resale agreements.

(4) Receivables

The Group has adopted a policy of dealing with credit worthy counter parties as a means of mitigating the risk of financial loss from defaults. The Group's exposure is continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counter parties. The book value of receivables is stated after allowance for likely losses estimated by the Group's management based on prior year experience and their assessment of the current economic environment.

(5) Cash and cash equivalents and certificates of deposits

The credit risk on liquid funds is limited because the counterparties are major banks with high credit ratings of BB or B2 and higher. The carrying amount of cash and bank balances and certificates of deposits (excluding cash on hand) totaling $530.12 million (2022: $68.22 million) represents the Group and Bank's maximum exposure to this class of financial assets.

There was no change to the Group's approach to managing credit risk during the year.

iii. Credit quality of loans

The table below shows the credit quality and the maximum exposure to credit risk based on the Group and Bank's internal credit rating system, stage 1, stage 2, and stage 3. The amounts presented are gross of allowance for ECL. Details of the Group and Bank's internal grading system are explained in Note 3(c) and Group and Bank's impairment assessment, and measurement approach is set out in Note 3(d). During the year, $1.55 billion (2022: $92.54 million) was transferred from stage 1 to stage 2; there were no transfers from stage 2 to stage 3 during the year. There were repayments of stage 3 loans of $66.29 million (2022: $27.50 million). The increase in expected credit loss recognized in the statement of comprehensive income was $43.66 million (2022: $71.57 million) (Note 8 (c)).

26. Financial Risk Management (Continued)

(a) Credit risk (continued)

iii. Credit quality of loans (continued)

Group and Bank

	2023			
	Stage 1 $'000	**Stage 2 $'000**	**Stage 3 $'000**	**Total $'000**
Loans receivable	3,165,321	2,037,114	227,074	5,429,509
ECL	(55,842)	(9,686)	(60,414)	(125,942)
	3,109,479	2,027,428	166,660	5,303,567

	2022			
	Stage 1 $'000	**Stage 2 $'000**	**Stage 3 $'000**	**Total $'000**
Loans receivable	4,115,552	108,688	292,680	4,516,920
ECL	(42,766)	-	(105,804)	(148,570)
	4,072,786	108,688	186,876	4,368,350

26. Financial Risk Management (Continued)

(a) Credit risk (continued)

iv. Concentration of loans

There are significant concentrations of credit risk in that there are significant investments in various forms of Government of Jamaica securities, and loans are substantially to borrowers in the construction sector.

The following table shows concentration of gross loans by summarizing the credit exposure to borrowers, by category:

	2023		
	Construction Loans	Mortgage Loans	Total
	$'000	$'000	$'000
Developers	5,429,509	-	5,429,509
Staff	-	1,995	1,995
Other	-	2,070	2,070
	5,429,509	4,065	5,433,574

	2022		
	Construction Loans	Mortgage Loans	Total
	$'000	$'000	$'000
Developers	4,516,920	-	4,516,920
Staff	-	4,057	4,057
Other	-	2,550	2,550
	4,516,920	6,607	4,523,527

Substantially all the Group's lending is to parties in Jamaica.

26. Financial Risk Management (Continued)

(a) Credit risk (continued)

v. Collateral and other credit enhancement

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral. The main types of collateral obtained are mortgage interest over property, other registered securities over assets and guarantees. The value of collaterals is generally assessed, at a minimum, at inception and is not updated except when a loan is individually assessed as impaired.

In its normal course of business, the Group and Bank engages external agents to recover funds from repossessed properties or other assets in its loan's portfolio to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, properties under legal repossession processes are not recorded on the statement of financial position and not treated as non-current assets held for sale.

Collateral is not generally held against deposits and investment securities, and no such collateral was held at March 31, 2023, or 2022.

(b) Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to the obligor's/issuer's credit standing) will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing returns.

The Group manages interest rate risk by monitoring interest rates daily and ensuring that the maturity profile of its financial assets is matched by that of its financial liabilities to the extent practicable, given the nature of the business. The directors and management believe that the Group has limited exposure to foreign currency risk as it has no foreign currency liabilities and no significant foreign currency assets, and that it has no significant exposure to equity price risk as it has no financial assets which are to be realized by trading in the securities market.

i. Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. It arises when there is a mismatch between interest-earning assets and interest-bearing liabilities which are subject to interest rate adjustment within a specified period. It can be reflected as a loss of future net interest income and/or a loss of current market values.

26. Financial Risk Management (Continued)

(b) Market risk (continued)

i. Interest rate risk (continued)

The following table summarizes the carrying amounts of statement of financial position financial assets, liabilities, and equity to arrive at the Group's and the Bank's interest rate gap based on the earlier of contractual repricing and maturity dates.

Group	2023				
	Within 3 months	3 - 12 months	Over 12 months	Non-rate sensitive	Total
	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	504,485	-	-	-	504,485
Certificates of deposit	12,383	13,283	-	-	25,666
Resale agreements	6,901	-	-	-	6,901
Receivables	-	-	-	60,077	60,077
Loans receivable	1,745,113	3,559,217	3,302	-	5,307,632
Total financial assets	2,268,882	3,572,500	3,302	60,077	5,904,761
Payables	-	-	-	20,018	20,018
Borrowings – current portion	27,683	1,521,220	-	-	1,548,903
Borrowings – long-term portion	-	-	2,224,543	-	2,224,543
Total financial liabilities	27,683	1,521,220	2,224,543	20,018	3,793,464
Interest rate sensitivity gap	2,241,199	2,051,280	(2,221,241)	40,059	2,111,297
Cumulative gap	2,241,199	4,292,479	2,071,238	2,111,297	

Group	2022				
	Within 3 months	3 - 12 months	Over 12 months	Non-rate sensitive	Total
	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	43,103	-	-	-	43,103
Certificates of deposit	-	25,114	-	-	25,114
Resale agreements	4,400	2,194			6,594
Receivables	-	-	-	28,069	28,069
Loans receivable	3,557,745	541,641	275,571	-	4,374,957
Total financial assets	3,605,248	568,949	275,571	28,069	4,477,837
	-	-	-	58,494	58,494
Payables	-	799,430	-	-	799,430
Borrowings – current portion	-	-	1,785,139	-	1,785,139
Borrowings – long-term portion	-	-	-	58,494	58,494
Total financial liabilities	-	799,430	1,785,139	58,494	2,643,063
Interest rate sensitivity gap	3,605,248	(230,481)	(1,509,568)	(30,425)	1,834,774
Cumulative gap	3,605,248	3,374,767	1,865,199	1,834,774	

26. Financial Risk Management (Continued)

(b) Market risk (continued)

i. Interest rate risk (continued)

Bank	2023				
	Within 3 months	3 - 12 months	Over 12 months	Non-rate sensitive	Total
	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	504,485	-	-	-	504,485
Certificates of deposit	12,383	13,283	-	-	25,666
Resale agreements	6,901	-	-	-	6,901
Receivables	-	-	-	60,077	60,077
Loans receivable	1,745,113	3,559,217	3,302	-	5,307,632
Loan receivable from subsidiary	-	-		126,814	126,814
Total financial assets	2,268,882	3,572,500	3,302	186,891	6,031,575
Payables	-	-	-	20,018	20,018
Borrowings – current portion	27,683	1,521,220	-	-	1,548,903
Borrowings – long-term portion	-	-	2,224,543	-	2,224,543
Total financial liabilities	27,683	1,521,220	2,224,543	20,018	3,793,464
Interest rate sensitivity gap	2,241,199	2,051,280	(2,221,241)	166,873	2,238,111
Cumulative gap	2,241,199	4,292,479	2,071,238	2,238,111	

Bank	2022				
	Within 3 months	3 - 12 months	Over 12 months	Non-rate sensitive	Total
	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	43,103	-	-	-	43,103
Certificates of deposit	-	25,114	-	-	25,114
Resale agreements	4,400	2,194	-	-	6,594
Receivables	-	-	-	28,069	28,069
Loans receivable	3,557,745	541,641	275,571	-	4,374,957
Loan receivable from subsidiary	-	-	-	125,876	125,876
Total financial assets	3,605,248	568,949	275,571	153,945	4,603,713
Payables	-	-	-	58,494	58,494
Borrowings – current portion	-	799,430	-	-	799,430
Borrowings – long-term portion	-	-	1,785,139	-	1,785,139
Total financial liabilities	-	799,430	1,785,139	58,494	2,643,063
Interest rate sensitivity gap	3,605,248	(230,481)	(1,509,568)	95,451	1,960,650
Cumulative gap	3,605,248	3,374,767	1,865,199	1,960,650	

(Expressed in Jamaican Dollars unless otherwise indicated)

26. Financial Risk Management (Continued)

(b) Market risk (continued)

i. Interest rate risk (continued)

With respect to interest-earning assets and interest-bearing liabilities, the average effective yields by the earlier of contractual repricing and maturity dates are as follows:

Group and Bank

	2023		
	Within 3 months	**3 - 12 12 months**	**Over 12 months**
	%	**%**	**%**
Certificates of deposit	3.15	3.50	-
Resale agreements	3.65	4.35	-
Loans receivable	9.64	10.56	7.70
Borrowings	6.45	6.95	8.50

Group and Bank

	2022		
	Within 3 months	**3 - 12 12 months**	**Over 12 months**
	%	**%**	**%**
Certificates of deposit	3.00	3.15	-
Resale agreements	3.70	3.50	-
Loans receivable	12.00	10.69	10.75
Borrowings	-	4.88	6.85

Sensitivity analysis
If the interest rate had been 100 basis points higher and 50 basis points lower (2022: 300 basis points higher and 50 basis points lower) and all other variables were held constant for local interest bearing assets and liabilities, the Bank's/Group's profit for the period would increase by $3.08 million and decrease by $1.54 million, respectively (2022: increase by $9.00 million and decrease by $1.50 million). For foreign interest bearing assets and liabilities, if interest rates were 100 basis points higher or 50 basis points lower (2022: 150 basis points higher or 50 basis points lower), and all other variables were held constant, the Bank's/Group's profit for the period would nil (2022: increase by nil and decrease by nil).

ii. Foreign currency risk

Foreign currency risk is the risk that the market value of, or the cash flows from, financial instruments will vary because of exchange rate fluctuations. The Group has no material exposure to foreign currency risk as there are no significant transactions that are denominated in foreign currencies.

26. Financial Risk Management (Continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financials instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management requires the Group to maintain sufficient cash and marketable securities, monitoring future cash flows and liquidity on a daily basis and have funding available through an adequate amount of committed facilities.

Due to the dynamic nature of the underlying businesses, the management of the Group ensures that sufficient funds are held in short-term marketable instruments to meet its liabilities and disbursement commitments when due, without incurring unacceptable losses or risk damage to the Group's reputation.

The daily liquidity position is monitored by reports covering the position of the Group. The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to cash available for disbursements. For this purpose, net liquid assets are considered as including cash and cash equivalents and investment in debt securities for which there is an active liquid market, less loan commitments to borrowers within the coming year.

The following table presents the contractual maturities of financial assets and liabilities, on the basis of their earliest possible contractual maturity.

26. Financial Risk Management (Continued)

(c) Liquidity risk (continued)

Group	2023						
	Within one month	1 to 3 months	3 to 12 months	1 to 5 years	No specific maturity	Cash flows total	Carrying values total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	-	-	-	-	504,485	504,485	504,485
Certificates of deposit	-	12,383	13,283	-	-	25,666	25,666
Resale agreements	-	-	6,901	-	-	6,901	6,901
Receivables	-	60,077	-	-	-	60,077	60,077
Loans receivable	-	-	5,430,271	3,302		5,433,573	5,307,632
Total financial assets	-	72,460	5,450,455	3,302	504,485	6,030,702	5,904,761
Payables	-	20,018	-	-	-	20,018	20,018
Borrowings - current	-	27,683	1,521,220	-	-	1,548,903	1,548,903
Borrowings – long-term	-	-	-	2,224,543	-	2,224,543	2,224,543
Total financial liabilities	-	47,701	1,521,220	2,224,543	-	3,793,464	3,793,464
	-	24,759	3,929,235	(2,221,241)	504,485	2,237,238	2,111,297

Group	2022						
	Within one month	1 to 3 months	3 to 12 months	1 to 5 years	No specific maturity	Cash flows total	Carrying values total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	-	-	-	-	43,103	43,103	43,103
Certificates of deposit	-	25,114	-	-	-	25,114	25,114
Resale agreements	4,400	2,194	-	-	-	6,594	6,594
Receivables	-	28,069	-	-	-	28,069	28,069
Loans receivable	2,185,109	1,564,025	483,075	291,323	-	4,523,532	4,374,957
Total financial assets	2,189,509	1,619,402	483,075	291,323	43,103	4,626,412	4,477,837
Payables	-	58,494	-	-	-	58,494	58,494
Borrowings - current	-	-	799,430	-	-	799,430	799,430
Borrowings – long-term	-	-	-	1,800,000	-	1,800,000	1,785,139
Total financial liabilities	-	58,494	799,430	1,800,000	-	2,657,924	2,643,063
	2,189,509	1,560,908	(316,355)	(1,508,677)	43,103	1,968,488	1,834,774

26. Financial Risk Management (Continued)

(c) Liquidity risk (continued)

Bank — **2023**

	Within one month	1 to 3 months	3 to 12 months	1 to 5 years	No specific maturity	Cash flows total	Carrying values total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	-	-	-	-	504,485	504,485	504,485
Certificates of deposit	-	12,383	13,283	-	-	25,666	25,666
Resale agreements	-	-	6,901	-	-	6,901	6,901
Receivables	-	60,077	-	-	-	60,077	60,077
Loans receivable	-	-	5,430,271	3,302	-	5,433,573	5,307,632
Interest in subsidiary: long term loans	-	-	-	-	126,814	126,814	126,814
Total financial assets	-	72,460	5,450,455	3,302	631,299	6,157,516	6,031,575
Payables	-	20,018	-	-	-	20,018	20,018
Borrowings - current	-	27,683	1,521,220	-	-	1,548,903	1,548,903
Borrowings – long-term	-	-	-	2,224,543	-	2,224,543	2,224,543
Total financial liabilities	-	47,701	1,521,220	2,224,543	-	3,793,464	3,793,464
	-	24,759	3,929,235	(2,221,241)	631,299	2,364,052	2,238,111

Bank — **2022**

	Within one month	1 to 3 months	3 to 12 months	1 to 5 years	No specific maturity	Cash flows total	Carrying values total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	-	-	-	-	43,103	43,103	43,103
Certificates of deposit	-	25,114	-	-	-	25,114	25,114
Resale agreements	4,400	2,194	-	-	-	6,594	6,594
Receivables	-	28,069	-	-	-	28,069	28,069
Loans receivable	2,185,109	1,564,025	483,075	291,323	-	4,523,532	4,374,957
Interest in subsidiary: long term loans	-	-	-	125,876	-	125,876	125,876
Total financial assets	2,189,509	1,619,402	483,075	417,199	43,103	4,752,288	4,603,713
Payables	-	58,494	-	-	-	58,494	58,494
Borrowings - current	-	-	799,430	-	-	799,430	799,430
Borrowings – long-term	-	-	-	1,800,000	-	1,800,000	1,785,139
Total financial liabilities	-	58,494	799,430	1,800,000	-	2,657,924	2,643,063
	2,189,509	1,560,908	(316,355)	(1,382,801)	43,103	2,094,364	1,960,650

26. Financial Risk Management (Continued)

(c) Liquidity risk (continued)

Collateral

The Bank and Group has pledged part of its short- term deposits in order to fulfil the collateral requirements for loans received. At 31 March 2023, the fair value of the short-term deposits pledged is $24.61 million (2022: $24.69 million). The counterparty has an obligation to return the securities to the Bank and Group. There are no other significant terms and conditions associated with the use of collateral.

(d) Operational risk

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

- Requirements for appropriate segregation of duties, including the independent authorization of transactions
- Requirements for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- Requirements for the reporting of operational losses and proposed remedial action
- Development of contingency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance where this is effective.

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

(e) Capital management:

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

i. To safeguard the Bank and Group's ability to continue as a going concern so that it can continue to provide benefits for the shareholder and other stakeholders; and
ii. To maintain a strong capital base to support the development of its business.

The Bank is a statutory body and is not a regulated entity. Accordingly, there are no rules relating to capital that are imposed by regulations. However, by virtue of the provisions of the Jamaica Mortgage Bank Act (see Note 15) and stated Board policy (see Note 16), the Bank is required to set aside retained profits in special reserves.

The Bank's policy is to maintain a strong capital base to ensure credit and market confidence.

26. Financial Risk Management (Continued)

(e) Capital management (continued):

Capital allocation

The allocation of capital between specific operations and activities is driven by:

a. Strategic Plan and Budget approved by the Board of Directors;
b. The desire to fulfil the Bank's mandate; and
c. Support by the Bank for the government's mission to enhance growth and development.

The policies in respect of capital management and allocation are reviewed regularly by the Board of Directors. There were no changes to the Bank and Group's approach to capital management during the year, and the Bank and Group is not subject to externally imposed capital requirements.

27. Fair Value Measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. A market price, where an active market (such as a recognized stock exchange) exists, is the best evidence of the fair value of a financial instrument. Where market prices are not available for the financial assets and liabilities, fair values are determined using various estimation techniques based on market conditions existing at the end of the reporting period. Generally, judgement is necessarily required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented in these financial statements are not necessarily indicative of the amounts that the Group would realize in a current market exchange.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Long term fixed rate and variable rate receivables/borrowings are evaluated by the Group based on parameters such as interest rate, individual credit worthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. The long-term loan to the subsidiary has no fixed repayment date. Fair value determined to be amount payable on demand which approximates to the carrying amount.

- Fair values of the Group's interest-bearing borrowings and loans are determined by using discounted cash flow methods using a discount rate that reflects the issuer's borrowing rate as at the end of the reporting period.

Management has assessed that the carrying values of cash and certificates of deposit, repurchase agreements, trade receivables and payables approximate their fair values largely due to the short-term nature of these instruments. Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments, other than those where the carrying amounts are reasonable approximations of fair value.

27. Fair Value Measurement (Continued)

Group and Bank	Carrying amount 2023	Carrying amount 2022	Fair value 2023	Fair value 2022
	$'000	$'000	$'000	$'000
Assets				
Loans receivable	5,307,632	4,374,957	5,433,574	4,523,527
Liabilities				
Borrowings – current portion	1,548,903	799,110	1,548,903	799,110
Borrowings – long-term portion	2,224,543	1,785,139	2,311,171	1,799,146
	3,773,446	2,584,249	3,860,074	2,598,256

The following table provides an analysis of financial instruments held for the Group and the Bank as at 31 March 2023 and 31 March 2022 that subsequent to initial recognition, are measured at amortized cost. The financial instruments are grouped into levels 1 to 3 based on the degree to which the fair value is observable, as follows:

Group and Bank

	2023			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Assets for which fair value is disclosed:				
- Loans and receivables	-	5,433,574	-	5,433,574
Liabilities for which fair values are disclosed:				
- Borrowings – current portion	-	1,548,903	-	1,548,903
- Borrowings – long-term portion	-	2,311,171	-	2,311,171

	2022			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Assets for which fair value is disclosed:				
- Loans and receivables	-	4,523,527	-	4,523,527
Liabilities for which fair values are disclosed:				
- Borrowings – current portion	-	799,110	-	799,110
- Borrowings – long-term portion	-	1,799,146	-	1,799,146

There were no transfers between Level 1 and Level 2 during the period.

27. Fair Value Measurement (Continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker industry group, pricing service or regulator 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.

The fair value of financial instruments not traded in an active market is determined by using valuation techniques. These valuation techniques maximize 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.

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

28. Commitments and Contingencies

Loans approved but not disbursed by the Group and the Bank at 31 March 2023 amounted to approximately $747 million (2022: $2.655 billion).

The Group is involved in litigations in the normal course of operations. The Bank currently has three active litigations. Two were filed by a former employee and the Bank is aggressively defending same. The third is a claim and counter claim involving a developer. The Bank is making an application to strike out the claim and is making an application for summary judgement in a counter claim.

Management believes that liabilities, if any, arising from such litigations will not have a material adverse effect on the financial position of the Group.

29. Costs of and Funding for Administration of Mortgage Insurance Fund

Under Section 25 of the Jamaica Mortgage Bank Act 1973, the Jamaica Mortgage Bank is responsible for administering the Mortgage Insurance Fund.

The employees of the Bank manage the operations of the Mortgage Insurance Fund and the Mortgage (Government Guaranteed Loans) Insurance Reserve Fund. Section 14 of the Mortgage Insurance Act provides for the Bank to meet its costs of administering the Funds in the following way:

- *one-half of the return on the income and assets* of the Mortgage (Government Guaranteed Loans) Insurance Reserve Fund and *two-fifths (one-fifth up to July 23, 2008) of the insurance fees* received by the Mortgage Insurance Fund; and, if not adequate, then by;
- withdrawals from the Mortgage Insurance Fund of *up to one-half of* the return on investment and assets of the Fund for that year; and, if more is still required, then by
- advances from the Government of Jamaica's Consolidated Fund.

29. Costs of and Funding for Administration of Mortgage Insurance Fund (Continued)

	2023 $'000	2022 $'000
Cost of Administration of Mortgage Insurance Fund		
Bank charges and interest	70	49
Professional and other	1,854	5,222
Audit fees	627	570
Total costs	2,551	5,841
Funded by:		
Contribution of:		
Two-fifths of Mortgage Insurance fees	8,574	8,817
Loan investigation fees	262	268
One-half of investment income of Mortgage (Government Guaranteed Loans) Insurance Reserve Fund	1	1
	8,837	9,086
Recovered by the Mortgage Insurance Fund	(6,286)	(3,245)
Total funding	2,551	5,841

Financial Statements for JMB Developments

for the year ended 31st March 2023

Ernst & Young Chartered Accountants
8 Olivier Road, Kingston 8
Jamaica W.I.
Tel: 876 925 2501
Fax: 876 755 0413
http://www.ey.com

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of JMB Developments Limited

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of JMB Developments Limited (the "Company") which comprise the statement of financial position as at 31 March 2023, the statements of comprehensive loss, changes in shareholder's deficiency and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 3(a) in the financial statements, which indicates that the Company incurred a net loss for the year of $0.938 million (2022: $0.202 million) and as at 31 March 2023 there is a shareholder's deficit of $126.813 million (2022: $125.875 million). These conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. As stated in Note 3(a), these financial statements have been prepared on the going concern basis as the parent company has committed to provide financial support to the Company for the foreseeable future. Our opinion is not modified in respect of this matter.

Responsibilities of Management and the Board of Directors for the Financial Statements

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Shareholder of JMB Developments Limited (Continued)

Report on the Audit of the Financial Statements (Continued)

Responsibilities of Management and the Board of Directors for the Financial Statements (continued)

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

The Board of Directors is responsible for overseeing the Company'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 skepticism throughout the audit. We also:

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Shareholder of JMB Developments Limited (Continued)

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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

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

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

Report on additional requirements of the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained and the financial statements are in agreement with the accounting records, and give the information required by the Jamaican Companies Act in the manner so required.

Ernst & Young

Chartered Accountants
Kingston, Jamaica

24 July 2023

JMB Developments Limited

Statement of Financial Position
As at 31 March 2023
(expressed in Jamaican dollars unless otherwise indicated)

	Notes	2023 $'000	2022 $'000
ASSETS			
Non-current assets			
Investment by parent company		-	-1
Land held for development and sale	5	1	1
Total assets		1	1
SHAREHOLDERS' DEFICIENCY AND LIABILITIES			
Shareholder's deficiency			
Share capital	6	-	-
Accumulated deficit		(126,813)	(125,875)
Total shareholder's deficiency		(126,813)	(125,875)
LIABILITIES			
Current liability			
Loan payable to parent	7	126,814	125,876
Total liabilities		126,814	125,876
TOTAL SHAREHOLDER'S DEFICIENCY AND LIABILITIES		1	1

The accompany notes form an integral part of the financial statements.

Approved for issue by the Board of Directors on 24 July 2023 and signed on its behalf by:

R. Parkes ______ Acting Chairman   D. Prendergast ______ Director

Mr. Ryan Parkes   Mrs. Doreen Prendergast

JMB Developments Limited

Statement of Comprehensive Loss
For the year ended 31 March 2023
(expressed in Jamaican dollars unless otherwise indicated)

	Notes	2023 $'000	2022 $'000
Administrative expenses			
Professional fees		(890)	(154)
Other general expenses		(48)	(48)
Net loss, being total comprehensive loss for the year	8	(938)	(202)

The accompanying notes form an integral part of the financial statements.

JMB Developments Limited

Statement of Changes in Shareholder's Deficiency
For the year ended 31 March 2023
(expressed in Jamaican dollars unless otherwise indicated)

	Share Capital	Accumulated Deficit	Total
	$'000	**$'000**	**$'000**
Balance as at 31 March 2021	-	(125,673)	(125,673)
Net loss, being total comprehensive loss for the year	-	(202)	(202)
Balance as at 31 March 2022	-	(125,875)	(125,875)
Net loss, being total comprehensive loss for the year	-	(938)	(938)
Balance as at 31 March 2023	-	(126,813)	(126,813)

The accompanying notes form an integral part of the financial statements.

JMB Developments Limited

Statement of Cash Flows
For the year ended 31 March 2023
(expressed in Jamaican dollars unless otherwise indicated)

	2023 $'000	2022 $'000
Cash flows from operating activities		
Net loss for the year	(938)	(202)
Net cash used in operating activities	(938)	(202)
Cash flows from financing activities		
Increase in loan payable to parent	938	202
Net cash provided by financing activities	938	202
Net change in cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	-	-
Cash and cash equivalents at the end of the year	-	-

The accompanying notes form an integral part of the financial statements.

1. Corporate Information

JMB Developments Limited ("the Company") was incorporated under the laws of Jamaica on January 5, 1999, and commenced operations on July 5, 1999. The Company is a wholly-owned subsidiary of Jamaica Mortgage Bank ("parent body"), which is incorporated in Jamaica under the Jamaica Mortgage Bank Act 1973 and is owned by the Government of Jamaica. The Company is domiciled in Jamaica and its registered office is located at 33 Tobago Avenue, Kingston 5, Jamaica.

The principal activity of the Company is to carry on the business of residential, commercial, and industrial real estate development. However, the Company has been inactive since 1999.

2. Adoption of Standards, Interpretation and Amendments

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

The International Accounting Standards Board (IASB) issued certain new standards and interpretations as well as amendments to existing standards, which became effective during the year under review. Management has assessed the relevance of these new standards, interpretations and amendments and has adopted and applied in these financial statements, those standards which are considered relevant to its operations. The nature and the impact of each new standard or amendment is described below.

The following are Standards, Amendments, and Interpretations in respect of published standards which are in effect:

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 (Effective 1 January 2022)
The amendments prohibit entities from deducting from the cost of an item of property, plant, and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss. These amendments had no impact on the financial statements of the Company.

Reference to the Conceptual Framework –Amendments to IFRS 3 (Effective 1 January 2022)
The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. These amendments had no impact on the financial statements of the Company.

(expressed in Jamaican dollars unless otherwise indicated)

2. Adoption of Standards, Interpretation and Amendments (Continued)

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

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 (Effective 1 January 2022)
In May 2020, the IASB issued amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. These amendments had no impact on the financial statements of the Company.

Annual Improvements 2018-2020 cycle (issued in May 2020)

The following is a summary of the amendments from the 2018-2020 annual improvements cycle:

New and Revised Standards	Effective for annual periods beginning on or after
IFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter	1 January 2022
IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities	1 January 2022
IAS 41 Agriculture - Taxation in fair value measurements	1 January 2022

These amendments had no impact on the financial statements of the Company.

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

The standards and interpretations that are issued, but not yet effective at 31 March 2022 are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

Classification of Liabilities as Current or Noncurrent and Non-current Liabilities with Covenants - Amendments to IAS 1 (Effective 1 January 2024)
In January 2020 and October 2022, the IASB issued amendments to IAS 1 Presentation of Financial Statements to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification
- Disclosures

The Company is assessing the potential impact of these amendments on its financial statements.

2. Adoption of Standards, Interpretation and Amendments (Continued)

2.2 Standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted by the Company (continued)

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 (Effective 1 January 2023)
The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The Company is assessing the potential impact of these amendments on its financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction- Amendments to IAS 12 (Effective 1 January 2023)
In May 2021, the IASB issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

An entity should apply the amendments to transactions that occur on or after the beginning of the earliest comparative period presented, it should also recognize deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations. These amendments are not expected to have any impact on the financial statements of the Company.

IFRS 17 - Insurance Contracts (Effective 1 January 2023)
IFRS 17 is effective for reporting periods starting on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 *Financial Instruments* and IFRS 15 on or before the date it first applies IFRS17.

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach).
- A simplified approach (the premium allocation approach) mainly for short- duration contracts.

This is not expected to have any impact on the financial statements of the Company.

2. Adoption of Standards, Interpretation and Amendments (Continued)

2.2 Standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted by the Company (continued)

Definition of Accounting Estimates - Amendments to IAS 8 (Effective 1 January 2023)
The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are intended to provide preparers of financial statements with greater clarity as to the definition of accounting estimates, particularly in terms of the difference between accounting estimates and accounting policies.

These amendments are not expected to have any impact on the financial statements of the Company.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. These amendments are not expected to have any impact on the financial statements of the Company.

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback (Effective 1 January 2024)
The amendment to IFRS 16 Leases specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. After the commencement date in a sale and leaseback transaction, the seller-lessee applies paragraphs 29 to 35 of IFRS 16 to the right-of-use asset arising from the leaseback and paragraphs 36 to 46 of IFRS 16 to the lease liability arising from the leaseback. In applying paragraphs 36 to 46, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease, as required by paragraph 46(a) of IFRS 16.

The amendment does not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in Appendix A of IFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with IAS 8. These amendments are not expected to have any impact on the financial statements of the Company.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies:

(a) Statement of Compliance and Basis of Preparation

The financial statements are prepared on the historical cost basis, and in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB) and the requirements of the Jamaican Companies Act.

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of, and disclosures relating to, assets, liabilities, contingent assets, and contingent liabilities at the end of the reporting period and the income and expenses for the year then ended. Actual amounts could differ from those estimates.

The Company incurred a net loss for the year of $0.938 million (2022: $0.202 million) and as at 31 March there is a shareholder's deficit of $126.813 million (2022: $125.875 million). These conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. The Company's parent has pledged to, and continues to support the Company. The above factors indicate a material uncertainty that may cast doubt on the Company's ability to continue as a going concern and that the Company may be unable to realise its assets and discharge its liabilities in the ordinary course of business.

The financial statements are presented in Jamaican dollars, which is the functional currency of the Company and rounded to the nearest thousand, unless otherwise stated.

(b) Financial instruments

Financial instruments include transactions that give rise to both financial assets and financial liabilities.

Financial assets and liabilities are recognized on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transactions costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities (except for financial assets and financial liabilities at fair value through profit or loss where such costs are recognized immediately in profit or loss), as appropriate, on initial recognition.

Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, and are subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued):

(b) Financial instruments (continued)

Financial assets (continued)

Initial recognition and measurement (continued)
The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss.

Financial assets at amortized cost (debt instruments)
This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified, or impaired.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a company of similar financial assets) is primarily derecognized (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued):

(b) Financial instruments (continued)

Financial assets (continued)

Derecognition (continued)
When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment
The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs.

Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 90 days past due, based on historical experience. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued):

(b) Financial instruments (continued)

Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables and due to related party balances.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in the statement of profit or loss.

(c) Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued):

(c) Fair Value Measurement (continued)

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets for which fair value is disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active market for identical assets and liabilities.
Level 2 - Valuation techniques for which the lowest level input that significant to the fair value measurement is directly or indirectly observable
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

(d) Land Held for Development and Sale

Land held for development and sale is stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated cost to sell.

(e) Property and Equipment

Property and equipment held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation is recognized so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

The following useful lives are used in the calculation of depreciation:

- Property and Equipment 10 years

(f) Payables

Trade and other payables are stated at cost.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued):

(g) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current Tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of calculated items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred Tax
Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and Deferred Tax for the Year
Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

(h) Expenses

Expenses are recorded on the accrual basis.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued):

(i) Related party balances and transactions

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24, Related Party Disclosures as the "reporting entity").

a) A person or a close member of that person's family is related to the reporting entity if that person:

i. has control or joint control over the reporting entity;
ii. has significant influence over the reporting entity; or
iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b) An entity is related to the reporting entity if any of the following conditions applies:

i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary, and fellow subsidiary is related to the others);
ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
iii. Both entities are joint ventures of the same third party.
iv. One entity is a joint venture of a third entity, and the other entity is an associate of the third entity.
v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
vi. The entity is controlled, or jointly controlled by a person identified in (a).
vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
viii. The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

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

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Company's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

The directors and management believe that there are no critical judgements that management has made in the process of applying the Company's accounting policies that had a significant effect on the amounts recognized in the financial statements.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

Key sources of estimation uncertainty

The directors and management believe there are no key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

5. Land Held for Development and Sale

The properties held by the Company were acquired from the Ministry of Environment and Housing for $1,000 on condition that the Ministry shall be beneficially entitled to twenty percent (20), or otherwise to be agreed, of the residential serviced lots or houses thereafter developed on each of the properties comprising the said lands, such lots to be identified and agreed from time to time by the Ministry and the Company. The Company shall be beneficially entitled to the remaining eighty percent (80) of such residential serviced lots.

The condition to the agreement, as outlined above, was not fulfilled and subsequent to this an agreement was arrived at for the Ministry to transfer to the Company other lands to cover the terms of the agreement. In 2012, the Ministry of Transport, Works, and Housing (formerly the Ministry of Water and Housing, (MOWH)) transferred a property at Whitehall to the Company's parent in part settlement of the obligation of the Company to its parent. The MOWH is to transfer to the Company's parent one additional parcel of land to fully cover the obligation of the Company to its parent.

6. Share Capital

	2023 $'000	2022 $'000
Authorized:		
1,000 shares at no par value at the beginning and end of year		
Issued and fully paid:		
2 shares at no par value at beginning and end of year	-	-

7. Loan Payable to Parent

	2023 $'000	2022 $'000
Long-term loan (a)	117,197	117,197
Recoverable charges (b)	9,617	8,679
	126,814	125,876

(a) The long-term loan, which represents drawdowns under a $250,000,000 facility, should have been repaid over the 5 years ended March 31, 2006, after a moratorium of 24 months on principal. The balance shown represents past- due amounts of $117 million (2022: $117 million). The loan is interest free and is collateralized by lands with value in excess of the loan balance and as such is recoverable.

(b) Transactions represent payments made by the Bank on behalf of the subsidiary for certain administration or operating expenses.

8. Net Loss for the Year

The following are among the items charged in arriving at loss for the year:

	2023 $'000	2022 $'000
Auditor's remuneration	50	50
Professional tees	840	104
Printing and stationery	13	2
Property taxes	35	35
Transfer tax	-	11
	938	202

9. Tax Losses

Current and deferred taxes have been calculated using the tax rate of 25% (2022: 25%).

At the reporting date, subject to agreement by the Commissioner, Taxpayer Audit and Assessment, tax losses available for relief against future taxable profits amounted to approximately $95.18 million (2022: $94.95 million).

Potential deferred tax asset of approximately $23.80 million (2022: $23.74 million), arising on the unused tax losses, has not been recognized as the Company is not expected to have taxable profits in the foreseeable future to utilize the losses.

10. Financial Instruments and Financial Instruments Risk Management

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purposes of these financial statements, financial assets and financial liabilities comprise payable and loan payable to parent.

Information relating to fair values and financial risk management is summarized below.

(a) Fair Value

Fair value measurements recognized in the Statement of Financial Position
There were no financial instruments that were measured subsequent to initial recognition at fair value.

Determination of Fair Value:
The fair value of loan payable to parent has been estimated to be its carrying amount as the loan is repayable on demand as repayment is overdue.

(b) Financial Risk Management

Exposure to credit risk, liquidity risk and market risk including interest rate risk and currency risk arises in the ordinary course of the company's business. Information about the Company's exposure to each of the above risks, the Company's objectives, policies, and processes for measuring and managing risk is detailed below.

10. Financial Instruments and Financial Instruments Risk Management (Continued)

(b) Financial Risk Management (Continued)

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established Finance and Audit and Loans and Projects Committees, which are responsible for developing and monitoring risk management policies in their specified areas.

Exposure to risks on financial instruments and operational risk arises in the ordinary course of the Company's operations.

i. Credit Risk

Credit risk is the risk that a party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

At the end of the reporting period, the Company has no financial instrument subject to credit risk.

ii. Market Risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

These arise from changes in interest rates, foreign currency rates and equity prices and will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

- **Foreign currency risk**
  Foreign currency risk is the risk that the market value of, or the cash flows from, financial instruments will fluctuate because of changes in foreign exchange rates.

  The Company has no exposure to foreign exchange risk since it has no foreign currency related transactions or balances.

- **Interest rate risk**
  Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

  The Company currently has no financial instrument subject to significant interest rate risk.

  There has been no change in the manner in which the Company manages and measures this risk during the year.

- **Other market price risk**
  The Company has no exposure to market risk as it does not hold any traded securities.

10. Financial Instruments and Financial Instruments Risk Management (continued)

(b) Financial Risk Management (Continued)

iii. Liquidity Risk

Liquidity risk, also referred to as funding risk, is the risk that the company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and ensuring the availability of funding through an adequate amount of committed facilities.

The Company had net current liabilities at the reporting date and obtains continued financial support from its parent.

There has been no change to the Company's exposure to liquidity risk or the manner in which it manages and measures the risk during the year.

(c) Capital Risk Management Policies and Objectives

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the equity balance. To maintain or adjust the capital structure, the Company may request capital from its shareholder and intercompany financing.

The Company is not subject to any externally imposed capital requirements and its Board of Directors reviews the capital structure on an annual basis. As a part of this review, the Board of Directors considers the cost of capital and the risks associated with each class of capital.

The Company's overall strategy as directed by its shareholders remains unchanged from year ended 31 March 2022.

Financial Statements for the Mortgage Insurance Fund and the Mortgage Insurance Reserve Fund

for the year ended 31st March 2023

Ernst & Young Chartered Accountants
8 Olivier Road, Kingston 8
Jamaica W.I.
Tel: 876 925 2501
Fax: 876 755 0413
http://www.ey.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of The Mortgage Insurance Fund and
The Mortgage (Government Guaranteed Loans) Insurance Reserve Fund
(Established under the Mortgage Insurance Act
Administered by Jamaica Mortgage Bank)

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of the Mortgage Insurance Fund and the financial statements of The Mortgage (Government Guaranteed Loans) Insurance Reserve Fund (the "Funds"), which comprise the Funds' statements of financial position as at 31 March 2023, and the Funds' statements of changes in fund balance, and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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 are independent of the Company in accordance with the International Ethics Standards Board for Accountants' ("IESBA") International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS, and 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

To the Board of Directors of The Mortgage Insurance Fund and
The Mortgage (Government Guaranteed Loans) Insurance Reserve Fund
(Established under the Mortgage Insurance Act
Administered by Jamaica Mortgage Bank) (Continued)

Report on the Audit of the Financial Statements (Continued)

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

In preparing the financial statements, management is responsible for assessing the Funds' 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 Funds or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Funds' 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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Funds' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT (Continued)

To the Board of Directors of The Mortgage Insurance Fund and
The Mortgage (Government Guaranteed Loans) Insurance Reserve Fund
(Established under the Mortgage Insurance Act
Administered by Jamaica Mortgage Bank) (Continued)

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- 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 Funds' 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 Funds 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 presents a true and fair view.

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.

Ernst & Young

Chartered Accountants
Kingston, Jamaica

24 July 2023

The Mortgage Insurance Fund
(Established under the Mortgage Insurance Act
Administered by Jamaica Mortgage Bank)

Statement of Financial Position
As at 31 March 2023
(expressed in Jamaican dollars unless otherwise indicated)

	Notes	2023 $'000	2022 $'000
ASSETS:			
Cash and cash equivalents		6,115	242,319
Investments	5	976,818	1,456,892
Receivables	6	200,164	175,236
Due from related party	7	825,313	10
		2,008,410	1,874,457
LIABILITIES			
Accounts payable		2,670	5,060
Due to Mortgage (Government Guaranteed Loans) Insurance Reserve Fund	7	84	84
Due to related party	7	7,425	10,049
		10,179	15,193
NET ASSETS		1,998,231	1,859,264
Represented by:			
ACCUMULATED SURPLUS		1,998,231	1,859,264

The accompanying notes form an integral part of the financial statements.

Approved for issue by the Board of Directors on 24 July 2023 and signed on its behalf by:

______________________ Acting Chairman
Mr. Ryan Parkes

______________________ Director
Mrs. Doreen Prendergast

The Mortgage Insurance Fund
(Established under the Mortgage Insurance Act
Administered by Jamaica Mortgage Bank)

Statement of Changes in Fund Balance
For the year ended 31 March 2023
(expressed in Jamaican dollars unless otherwise indicated)

	2023 $'000	2022 $'000
Increase in fund		
Three-fifths of mortgage loan insurance fees	12,806	13,225
Investment income	100,213	88,134
Interest income on loans	39,990	23,895
Miscellaneous income	18,751	18,757
Recovered from the Bank as contribution towards the cost of administering the Mortgage Insurance Act	8,574	8,817
	180,334	152,828
Decrease in fund		
Administration charges paid to the Bank	(38,816)	(36,378)
Miscellaneous expense	(2,551)	(5,841)
	(41,367)	(42,219)
Net increase in fund balance for the year	138,967	110,609
Fund balance at the beginning of the year	1,859,264	1,748,655
Fund balance at the end of the year	1,998,231	1,859,264

The accompanying notes form an integral part of the financial statements.

The Mortgage Insurance Fund
(Established under the Mortgage Insurance Act
Administered by Jamaica Mortgage Bank)

Statement of Cash Flows
For the year ended 31 March 2023
(expressed in Jamaican dollars unless otherwise indicated)

	2023 $'000	2022 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net increase in fund balance for the year	138,967	110,609
Adjustment for:		
Investment income	(100,213)	(88,134)
Interest income on loans	(39,990)	(23,895)
	(1,236)	(1,420)
(Decrease)/Increase in operating assets and liabilities		
Due from Jamaica Mortgage Bank	(825,303)	572,827
Receivables	(24,928)	(22,030)
Accounts payable	(2,390)	5,060
Due to Mortgage (Government Guaranteed Loans) Insurance Reserve Fund	-	2
Due to Jamaica Mortgage Bank	(2,624)	412
Cash (used in)/generated from operations	(856,481)	554,841
Investment income received	99,714	88,126
Interest income on loans received	39,990	23,895
Net cash (used in)/provided by operating activities	(716,777)	666,862
Cash flows from investing activities		
Sale of (additions to) investments	480,573	(427,473)
Net cash provided by/(used in) investing activities	480,573	(427,473)
Net (decrease)/increase in cash and cash equivalents	(236,204)	239,389
Cash and cash equivalents at the beginning of the year	242,319	2,930
Cash and cash equivalents at the end of the year	6,115	242,319

The accompanying notes form an integral part of the financial statements.

Mortgage (Government Guaranteed Loans) Insurance Reserve Fund
(Established under the Mortgage Insurance Act
Administered by Jamaica Mortgage Bank)

Statement of Financial Position
As at 31 March 2023
(expressed in Jamaican dollars unless otherwise indicated)

	2023 $'000	2022 $'000
ASSETS		
Due from Mortgage Insurance Fund	84	84
Government of Jamaica Investment Debenture	16	16
	100	100
Represented by:		
ACCUMULATED SURPLUS	100	100

The accompanying notes form an integral part of the financial statements.

Approved for issue by the Board of Directors on (DATE) and signed on its behalf by:

R. Parkes ____________ Acting Chairman   D. Prendergast ____________ Director

Mr. Ryan Parkes   Mrs. Doreen Prendergast

Mortgage (Government Guaranteed Loans) Insurance Reserve Fund
(Established under the Mortgage Insurance Act
Administered by Jamaica Mortgage Bank)

Statement of Changes in Fund Balance
For the year ended 31 March 2023
(expressed in Jamaican dollars unless otherwise indicated)

	2023 $'000	2022 $'000
Increase in fund		
Interest income	-	2
Net increase in fund for the year	-	2
Fund balance at the beginning of the year	100	98
Fund balance at the end of the year	100	100

Because of rounding to the nearest thousand, one half of investment income transferred to the Bank as contribution towards the cost of administering the Mortgage Insurance Act in the amount of $308 (2022: $622) is not reflected.

The accompanying notes form an integral part of the financial statements.

Mortgage (Government Guaranteed Loans) Insurance Reserve Fund
(Established under the Mortgage Insurance Act
Administered by Jamaica Mortgage Bank)

Statement of Cash Flows
For the year ended 31 March 2023
(expressed in Jamaican dollars unless otherwise indicated)

	2023 $'000	2022 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net increase in fund balance for the year	-	2
Increase in operating assets		
Due from Mortgage Insurance Fund	-	(2)
Net cash used in operating activities	-	-
Cash flows from investing activities		
Additions to investments	-	-
Net cash provided in investing activities	-	-
Net increase in cash and cash equivalents		
Cash and cash equivalents at the beginning of the year	-	-
Cash and cash equivalents at the end of the year	-	-

The accompanying notes form an integral part of the financial statements.

1. Corporate Information

(a) The Mortgage Insurance Fund

i. Establishment and Functions

The Mortgage Insurance Fund (the "Fund") was established under Section 9 of the Mortgage Insurance Act (the "Act"). Under Section 25 of the Jamaica Mortgage Insurance Act 1973, the functions of the Jamaica Development Bank in relation to the Mortgage Insurance Act shall be carried out by the Jamaica Mortgage Bank (the "Bank") and references in the Act to the Development Finance Corporation shall (notwithstanding Section 25 of the Jamaica Development Bank Act, 1969) be deemed to be references to the Jamaica Mortgage Bank. Accordingly, all assets and liabilities of the Mortgage Insurance Fund were taken over by the Jamaica Mortgage Bank at 15 June 1973 and administered from that date.

The Fund is domiciled in Jamaica and its principal place of business is located at 33 Tobago Avenue, Kingston 5, Jamaica.

ii. Funding

The Act requires that four-fifths of the insurance fees received by the Bank be paid into the Fund. An amendment to the Act, stipulates that three-fifths of the insurance fees received by the Bank be paid into the Fund, effective 24 July 2008. The income of the Fund belongs to the Fund and not to the Bank except as set out in Note 1 (c) below.

(b) The Mortgage (Government Guaranteed Loans) Insurance Reserve Fund

The Mortgage (Government Guaranteed Loans) Insurance Reserve Fund (the "Reserve Fund") was established under Section 11 of the Mortgage Insurance Act, using certain funds transferred by the Accountant General. The income of this fund belongs to this fund and not to the Bank except as set out in Note 1 (c) below.

(c) Costs of and Funding for Administration of Mortgage Insurance Act

The employees of the Bank manage the operations of the Mortgage Insurance Fund and the Mortgage (Government Guaranteed Loans) Insurance Reserve Fund (together the "Funds"). Section 14 of the Mortgage Insurance Act provides for the Bank to meet its costs of administering the Act in the following way:

- One-half of the return on the income and assets of the Mortgage (Government Guaranteed Loans) Insurance Reserve Fund and two-fifths (one-fifth up to 23 July 2008) of the insurance fees received; and, if not adequate, then by-

- Withdrawals from the Mortgage Insurance Fund of up to one-half of the return on investment and assets of the Fund for that year; and if more is still required, then by advances from the Government of Jamaica's Consolidated Fund.

1. Corporate Information (Continued)

(d) The principal purpose of the Fund is to provide mortgage indemnity insurance.

(e) These Funds are exempt from taxation.

2. Adoption of Standards, Interpretations and Amendments

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

The International Accounting Standards Board (IASB) issued certain new standards and interpretations as well as amendments to existing standards, which became effective during the year under review. Management has assessed the relevance of these new standards, interpretations and amendments and has adopted and applied in these financial statements, those standards which are considered relevant to its operations. The nature and the impact of each new standard or amendment is described below.

The following are Standards, Amendments, and Interpretations in respect of published standards which are in effect:

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 (Effective 1 January 2022)
The amendments prohibit entities from deducting from the cost of an item of property, plant, and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss. These amendments had no impact on the financial statements of the Funds.

Reference to the Conceptual Framework –Amendments to IFRS 3 (Effective 1 January 2022)
The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. These amendments had no impact on the financial statements of the Funds.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 (Effective 1 January 2022)
In May 2020, the IASB issued amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a ‘directly related cost approach’. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. These amendments had no impact on the financial statements of the Funds.

(expressed in Jamaican dollars unless otherwise indicated)

2. Adoption of Standards, Interpretation and Amendments (Continued)

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

The following is a summary of the amendments from the 2018-2020 annual improvements cycle:

New and Revised Standards	Effective for annual periods beginning on or after
IFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter	1 January 2022
IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities	1 January 2022
IAS 41 Agriculture - Taxation in fair value measurements	1 January 2022

These amendments had no impact on the financial statements of the Funds.

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

The standards and interpretations that are issued, but not yet effective at 31 March 2023 are disclosed below. The Funds intends to adopt these standards, if applicable, when they become effective.

Classification of Liabilities as Current or Noncurrent and Non-current Liabilities with Covenants - Amendments to IAS 1 (Effective 1 January 2024)

In January 2020 and October 2022, the IASB issued amendments to IAS 1 Presentation of Financial Statements to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification
- Disclosures

The Funds are assessing the potential impact of this amendment on its financial statements.

2. Adoption of Standards, Interpretation and Amendments (Continued)

2.2 Standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted (continued)

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 (Effective 1 January 2023)
The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The Funds are assessing the potential impact of this amendment on its financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction- Amendments to IAS 12 (Effective 1 January 2023)
In May 2021, the IASB issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

An entity should apply the amendments to transactions that occur on or after the beginning of the earliest comparative period presented, it should also recognize deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations. These amendments are not expected to have any impact on the financial statements of the Funds.

2. Adoption of Standards, Interpretation and Amendments (Continued)

2.2 Standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted (continued)

IFRS 17 - Insurance Contracts (Effective 1 January 2023)
IFRS 17 is effective for reporting periods starting on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 *Financial Instruments* and IFRS 15 on or before the date it first applies IFRS17.

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:
- A specific adaptation for contracts with direct participation features (the variable fee approach).
- A simplified approach (the premium allocation approach) mainly for short- duration contracts.

The Funds are assessing the potential impact of this amendment on its financial statements.

Definition of Accounting Estimates - Amendments to IAS 8 (Effective 1 January 2023)
The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are intended to provide preparers of financial statements with greater clarity as to the definition of accounting estimates, particularly in terms of the difference between accounting estimates and accounting policies.

The Funds are assessing the potential impact of this amendment on its financial statements.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors’ interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. These amendments are not expected to have any impact on the financial statements of the Funds.

2. Adoption of Standards, Interpretation and Amendments (Continued)

2.2 Standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted (continued)

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback (Effective 1 January 2024)
The amendment to IFRS 16 Leases specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. After the commencement date in a sale and leaseback transaction, the seller-lessee applies paragraphs 29 to 35 of IFRS 16 to the right-of-use asset arising from the leaseback and paragraphs 36 to 46 of IFRS 16 to the lease liability arising from the leaseback. In applying paragraphs 36 to 46, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease, as required by paragraph 46(a) of IFRS 16.

The amendment does not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in Appendix A of IFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with IAS 8. These amendments are not expected to have any impact on the financial statements of the Funds.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies

(a) Statement of Compliance and Basis of Preparation

The financial statements are prepared on the historical cost basis, and in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of, and disclosures relating to assets, liabilities, contingent assets, and contingent liabilities at the end of the reporting period and the income and expenses for the year then ended. Actual amounts could differ from those estimates.

The financial statements are presented in Jamaican dollars, which is the functional currency of the Funds.

(b) Key Sources of Estimation Uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year:

- Withholding Tax Recoverable

Management exercises judgement in designating withholding tax recoverable as collectible. On this basis, the fair value of this amount is determined to approximate its carrying value.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(c) Cash and Cash Equivalents

Cash comprises cash on hand and in banks. Short term deposits are highly liquid investments with an original maturity of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at hand and in bank.

(d) Financial Instruments

Financial instruments include transactions that give rise to both financial assets and financial liabilities.

Financial assets and liabilities are recognized on the Funds' statement of financial position when the Funds become a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities (except for financial assets and financial liabilities at fair value through profit or loss where such costs are recognized immediately in profit or loss), as appropriate, on initial recognition.

The fair values of financial instruments are discussed in Note 8. Listed below are the Funds' financial assets and liabilities and the specific accounting policies relating to each.

i. Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVPTL). The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Funds' business model for managing them.

The business model reflects how the Funds manage the assets in order to generate cash flows. That is, whether the Funds' objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g., financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at fair value through profit and loss (FVTPL). Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Funds commit to purchase or sell the asset.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(d) Financial Instruments (continued)

i. Financial assets (continued)

Initial recognition and measurement (continued)

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

- *Amortized cost:* Assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI') and that are not designated at FVTPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured in accordance to IFRS 9. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest method.

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

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

The SPPI test
'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Funds apply judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(d) Financial Instruments (continued)

i. Financial assets (continued)

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost (debt instruments)
This category is the most relevant to the Funds. The Funds measure financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified, or impaired.

The Funds' financial assets at amortized cost includes loans receivables, certificates of deposits, resale agreements, bonds and cash and bank balances.

Derecognition
The Funds derecognize a financial asset in accordance with IFRS 9, when its contractual rights to the cash flows from the assets expire, or when the Funds transfer the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Funds neither transfer nor retain substantially all the risks and rewards of ownership and continues to control the transferred asset, the Funds recognize their retained interest in the asset and an associated liability for amounts it may have to pay. If the Funds retain substantially all the risks and rewards of ownership of a transferred financial asset, the Funds continue to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g., when the Funds retain an option to repurchase part of a transferred asset), the Funds allocate the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized is recognized in profit or loss.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(d) Financial Instruments (continued)

i. Financial assets (continued)

Derecognition (continued)
The Funds derecognize financial liabilities when, the Funds' obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Impairment
At each reporting date, the Funds assess whether there is objective evidence that financial assets are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an adverse impact on the future cash flows of the asset that can be estimated reliably.

The Funds recognize an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Funds expect to receive, discounted at an approximation of the original effective interest rate. The recoverable amount of the Funds' investments in loans and receivables and accounts receivable is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with short duration are not discounted.

For other receivables, the Funds apply a simplified approach in calculating ECLs. Therefore, the Funds do not track changes in credit risk, but instead recognize a loss allowance based on lifetime ECLs at each reporting date. The Funds use the provision matrix as a practical expedient to measuring ECLs on other receivables, based on days past due for groupings of receivables with similar loss patterns. Receivables are grouped based on their nature. The provision matrix is based on historical observed loss rates over the expected life of the receivables and is adjusted for forward-looking estimates

ii. Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Funds' financial liabilities include payables.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in the statement of income.

3. Statement of Compliance, Basis of Preparation and Significant Accounting Policies (Continued)

(e) Receivables

Trade and other receivables are stated at cost, less impairment losses.

(f) Property and Equipment

Property and equipment held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation is recognized so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in profit or loss.

(g) Payables
Trade and other payables are stated at cost.

(h) Revenue
Revenue is measured at the fair value of the consideration received or receivable. Interest income earned from investments and fees are recorded on the accrual basis.

(i) Expenses
Expenses are recorded on the accrual basis.

4. Related Party Balances and Transactions

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24, Related Party Disclosures as the "reporting entity").

(a) A person or a close member of that person's family is related to the reporting entity if that person:
- i. has control or joint control over the reporting entity;
- ii. has significant influence over the reporting entity; or
- iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to the reporting entity if any of the following conditions applies:
- i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary, and fellow subsidiary is related to the others).
- ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- iii. Both entities are joint ventures of the same third party.
- iv. One entity is a joint venture of a third entity, and the other entity is an associate of the third entity.

4. Related Party Balances and Transactions (Continued)

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

v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

vi. The entity is controlled, or jointly controlled by a person identified in (a).

vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

viii. The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

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

5. Investments - Mortgage Insurance Fund

	2023 $'000	2022 $'000
Government of Jamaica:		
Repurchase agreements	55,949	250,013
Investment bonds	835,097	816,608
	891,046	1,066,621
Time deposits	18	280,018
Deferred shares	75,000	99,998
	966,064	1,446,637
Interest receivable	10,754	10,255
	976,818	1,456,892

6. Receivables

	2023 $'000	2022 $'000
Other receivable	1	1
Withholding tax recoverable	200,163	175,235
	200,164	175,236

7. Due from/(to) related party

	2023 $'000	2022 $'000
Balances outstanding at the end of the reporting period:		
Due to Mortgage (Government Guaranteed Loans) Insurance Reserve Fund	(84)	(84)
Due to Jamaica Mortgage Bank	(7,425)	(10,049)
Due from Jamaica Mortgage Bank	825,313	10
Income incurred during the reporting period:		
Administration fees - Jamaica Mortgage Bank	(38,816)	(36,378)
Interest earned on short term loan – Jamaica Mortgage Bank	39,990	23,895

Administration fee is charged at an annual rate of 2.25% of the Fund's investment portfolio balance at the end of each month.

During the year, the Fund issued an unsecured loan facility to Jamaica Mortgage Bank in April 2022 of $800 million at a fixed rate of 6.36%. The loan is for a period of two (2) years with maturity in March 2024. These transactions were carried out in the ordinary course of business.

8. Financial Instruments and Financial Instruments Risk Management

A financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

For the purpose of the financial statements of the Mortgage Insurance Fund, financial assets have been determined to include cash and cash equivalents, loan receivable from the Jamaica Mortgage Bank, investments, and receivables. Financial liabilities have been determined to include payables, due to Jamaica Mortgage Bank, and due to the Mortgage (Government Guaranteed Loans) Insurance Reserve Fund.

For the purpose of the financial statements of the Mortgage (Government Guaranteed Loans) Insurance Reserve Fund, financial assets have been determined to include Due from Mortgage Insurance Fund and Government of Jamaica Securities. There are no financial liabilities.

(i) Fair Value
Fair value amounts represent estimates of the arm's length consideration that would be currently agreed between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists.

Determination of Fair Value:
The carrying values of the Funds' financial instruments are all considered to approximate their estimated fair values because of their short-term nature. At the end of the period, the fair value of the Fund's investments was $977 million in 2023 (2022: $1,457 million). The fair values are estimated on the basis of pricing models or other recognized valuation techniques.

The investments held are classified as level 2 investments. There were no transfers during the year.

8. Financial Instruments and Financial Instruments Risk Management (Continued)

(ii) Financial Risk Management

The Funds' activities are principally related to the use of financial instruments. The Funds are exposed to credit risk, market risk and liquidity risk from its use of financial instruments. Market risk includes interest rate and foreign currency risk.

The Board of Directors of Jamaica Mortgage Bank has overall responsibility for the establishment and oversight of the Funds' risk management framework. The Board has established Finance and Audit and Loans and Projects Committees for the Bank and, by extension, the Funds. These committees are responsible for developing and monitoring risk management policies in their specified areas - for the Bank and the Funds.

The risk management policies are established to identify and analyze the risks faced by the Funds, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, and products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations. The Funds are managed by the Bank and benefit from the Bank's risk management policies and processes.

The Audit Committee is responsible for monitoring the Funds' compliance with risk management policies and procedures, and for reviewing the adequacy of the risk management framework.

a. Credit Risk

Credit risk is the risk that a party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The assets presented on the Statement of Financial Position comprise the Funds' exposure to credit risk.

Except for significant investments in various forms of Government of Jamaica securities, there is no significant concentration of credit risk. The Funds' exposure to credit risk is limited to the carrying values of financial assets in the statement of financial position. There has not been any change in the Funds' management of credit risk during the year.

Exposure to Credit Risk

The carrying amount of financial assets represents the maximum exposure to credit risks. At the date of the statement of financial position, these amounts were:

Mortgage Insurance Fund

	2023 $'000	2022 $'000
Cash and cash equivalents	6,115	242,319
Investments	976,818	1,456,892
Receivables	200,164	175,236
Due from Jamaica Mortgage Bank	825,313	10
	2,008,410	1,874,457

8. Financial Instruments and Financial Instruments Risk Management (Continued)

(ii) Financial Risk Management (continued)

a. Credit Risk (continued)

Mortgage (Government Guaranteed Loans) Insurance Reserve Fund

	2023 $'000	2022 $'000
Due from Mortgage Insurance Fund	84	84
Government of Jamaica Investment Debenture	16	16
	100	100

The Funds has credit policies aimed at minimizing exposure to credit risk. In respect of investments and related interest receivable, these are Government of Jamaica securities or contracts secured on Government of Jamaica securities. Short-term deposits and investments are held with financial institutions that management believes do not present any significant credit risk.

The directors believe that the credit risk associated with due from related parties is minimal. The carrying amount at the report date represents the Funds' maximum exposure of this class of financial assets.

The Fund has adopted a policy of dealing with credit worthy counter parties as a means of mitigating the risk of financial loss from defaults. The Fund's exposure is continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counter parties. The book value of receivables is stated after allowance for likely losses estimated by the Fund's management based on prior year experience and their assessment of the current economic environment.

The credit risk on liquid funds is limited because the counterparties are major banks with high credit ratings of BB or B2 and higher. The carrying amount of cash and bank balances represents the Fund's maximum exposure to this class of financial assets.

There was no change to the Funds' approach to managing credit risk during the year.

8. Financial Instruments and Financial Instruments Risk Management (Continued)

(ii) Financial Risk Management (continued)

b. Liquidity Risk

Liquidity risk also referred to as funding risk, is the risk that the Funds will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed facilities.

The Funds' exposure to liquidity risk is insignificant as their assets are readily realizable and claims against the Funds would be handled in a manner which provides for careful liquidation of assets.

c. Market Risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to the obligor's/issuer's credit standing) will affect the Funds' income or the value of its holdings of financial instruments. Each of the components of market price risks is considered below. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing returns.

i) Interest Rate Risk
Interest rate risk is the risk that that the value of a financial instrument will fluctuate due to changes in market interest rates. It arises when there is a mismatch between interest-earning assets and interest-bearing liabilities, which are subject to interest rate adjustment within a specified period. It can be reflected as a loss of future net interest income and/or a loss of current market values. The Funds manage interest rate risk by monitoring interest rates daily and ensuring that the maturity profile of its financial assets is matched by that of its financial liabilities to the extent practicable, given the nature of the business.

8. Financial Instruments and Financial Instruments Risk Management (Continued)

(ii) Financial Risk Management (continued)

c. Market Risk (continued)

i) Interest Rate Risk (continued)

Set out below is an analysis of the Mortgage Insurance Fund's interest-rate sensitive financial instruments, based on the period in which the earlier of the maturity dates and the contractual re-pricing dates occur. The interest rate sensitive financial instruments of the Mortgage (Government Guaranteed Loans) Insurance Reserve Fund are not material.

31 March 2023

	Average effective yield (%)	Within 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	No specific Maturity $'000	Total $'000
Cash and Cash Equivalents	0.14	-	-	-	-	6,115	6,115
Investments	8.13	66,713	-	75,000	835,105	-	976,818
Due from related party	6.36	25,313	800,000	-	-	-	825,313
		92,026	800,000	75,000	835,105	6,115	1,808,246

31 March 2022

	Average effective yield (%)	Within 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	No specific Maturity $'000	Total $'000
Cash and Cash Equivalents	0.15	-	-	-	-	242,319	242,319
Investments	5.86	565,286	-	74,998	816,608	-	1,456,892
Due from related party	-	10	-	-	-	-	10
		565,296	-	74,998	816,608	242,319	1,699,221

8. Financial Instruments and Financial Instruments Risk Management (Continued)

(ii) Financial Risk Management (continued)

(c) Market Risk (continued)

ii) Foreign Currency Risk
Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The directors and management believe that the Funds have limited exposure to foreign currency risk as they have no foreign currency liabilities and limited foreign currency assets.

iii) Other Market Price Risk
The Funds have no significant exposure to equity price risk as they have no financial assets which are to be realized by trading in the securities market.

9. Fund Valuation

The Fund is subjected to triennial actuarial valuations carried out by an external firm of actuaries. The latest actuarial valuation for funding purposes, undertaken at 31 March 2021, indicated a surplus balance of approximately $1,749 million, with actuarial reserve estimated to be approximately $368.1 million.