

FINANCIAL STATEMENTS

2024



FINANCIAL STATEMENTS

September 30, 2024

Index

| | |
|---|----|
| Independent Auditor's Report | 1 |
| Financial Statements  | |
| Consolidated Income Statement | 9 |
| Consolidated Statement of Comprehensive Income | 10 |
| Consolidated Statement of Financial Position | 11 |
| Consolidated Statement of Changes in Equity | 13 |
| Consolidated Statement of Cash Flows | 14 |
| Bank Income Statement | 15 |
| Bank Statement of Comprehensive Income | 16 |
| Bank Statement of Financial Position | 17 |
| Bank Statement of Changes in Equity | 19 |
| Bank Statement of Cash Flows | 20 |
| Notes To The Financial Statements | 21 |

Index - Notes to the Financial Statements

| | | | |
|--|----|---|-----|
| 1. Identification and Principal Activities | 21 | 25. Other Assets | 70 |
| 2. Material Accounting Policies | 22 | 26. Due to other Banks | 70 |
| 3. Critical Accounting Estimates and Judgments in Applying Accounting Policies | 45 | 27. Obligations under Securitisation Arrangements | 71 |
| 4. Responsibilities of the Appointed External Auditors | 49 | 28. Other Borrowed Funds | 73 |
| 5. Net Interest Income | 50 | 29. Interests in Structured Entities | 74 |
| 6. Net Fee and Commission Income | 51 | 30. Post-employment Benefits | 76 |
| 7. Gain on Foreign Currency and Investment Activities | 51 | 31. Other Liabilities | 84 |
| 8. Dividend Income | 52 | 32. Share Capital | 84 |
| 9. Staff Costs | 52 | 33. Fair Value and Capital Reserves | 85 |
| 10. Credit Impairment Losses | 53 | 34. Loan Loss Reserve | 85 |
| 11. Other Operating Expenses | 53 | 35. Banking Reserve Fund | 85 |
| 12. Taxation | 54 | 36. Retained Earnings Reserve | 85 |
| 13. Cash in Hand and Balances at Central Banks | 56 | 37. Cash Flows from Operating Activities | 86 |
| 14. Due from Other Banks | 56 | 38. Related Party Transactions and Balances | 87 |
| 15. Derivative Financial Instruments | 57 | 39. Financial Risk Management | 91 |
| 16. Reverse Repurchase Agreements | 57 | 40. Fair Values of Financial Instruments | 141 |
| 17. Loans and Advances | 58 | 41. Fiduciary Activities | 146 |
| 18. Investment Securities | 59 | 42. Dividends | 146 |
| 19. Pledged Assets | 60 | 43. Litigation and Contingent Liabilities | 146 |
| 20. Investment in Associates | 60 | 44. Reconciliation of Liabilities arising from Financial Activities | 147 |
| 21. Investment Properties | 63 | 45. Leases | 149 |
| 22. Intangible Assets | 64 | 46. Offsetting Financial Assets and Financial Liabilities | 153 |
| 23. Property, Plant and Equipment | 65 | 47. Restatement | 157 |
| 24. Deferred Income Taxes | 67 | 48. Subsequent Event | 160 |



Independent auditor's report

To the Members of National Commercial Bank Jamaica Limited

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

Our opinion

In our opinion, the consolidated financial statements and the stand-alone financial statements give a true and fair view of the consolidated financial position of National Commercial Bank Jamaica Limited (the Bank) and its subsidiaries (together 'the Group') and the stand-alone financial position of the Company as at 30 September 2024, and of their consolidated and stand-alone financial performance and their consolidated and stand-alone cash flows for the year then ended in accordance with IFRS Accounting Standards and with the requirements of the Jamaican Companies Act.

What we have audited

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

- the consolidated statement of financial position as at 30 September 2024;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the stand-alone statement of financial position as at 30 September 2024;
- the stand-alone statement of comprehensive income for the year then ended;
- the stand-alone statement of changes in equity for the year then ended;
- the stand-alone statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

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

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

Independence

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

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B.L. Scott B.J. Denning G.A. Reece P.A. Williams R.S. Nathan C.I. Bell-Wisdom G.K. Moore T.N. Smith DaSilva K.D. Powell.



Our audit approach

Audit scope

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

How we tailored our group audit scope

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

We determined the scope of our audit by first considering the internal organisation of the Group and then identifying the components of the audit that have the most significant impact on the consolidated financial statements. The Group comprised 17 reporting components of which we selected 5, which mainly represent the principal business units within the Group and are located in Jamaica, Cayman Islands, and Barbados. Full scope audits were performed for 4 components, while audits of one or more financial statement line items were performed for 1 component. The audit work performed covered 94% of the Group's total assets and 96% of total revenue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and stand-alone financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and stand-alone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



| Key audit matter | How our audit addressed the key audit matter |
|---|--|
| <p>IFRS 9 ‘Financial Instruments’ – Probabilities of Default, Forward Looking Information and Significant Increase in Credit Risk (Group and Bank)</p> <p><i>See notes 2 (g) 2(j), 17 and 18 to the financial statements for disclosures of related accounting policies, judgements, estimates and balances.</i></p> <p>As at September 30, 2024, the Group’s loans and advances totalled \$480 billion. The Group’s investment securities measured at amortised cost and fair value through other comprehensive income (FVOCI) totalled \$524 billion. The resultant impairment recorded under the expected credit loss (ECL) impairment model amounted to \$12 billion for loans and advances and \$66 million for debt securities. In aggregate, the above exposures represent 80% of total assets at the reporting date.</p> <p>In assessing impairment, IFRS 9 prescribes a forward looking ECL impairment model which takes into account reasonable and supportable forward looking information as well as probabilities of default (PD).</p> <p>PDs represent the likelihood of a borrower defaulting on its obligation over the next twelve months or over the remaining lifetime of the obligation. The twelve month and lifetime PDs are determined differently for loans and investments.</p> <p>For investment securities, which include debt securities comprising sovereign and corporate securities, PDs are developed by reference to external data collated by Standard & Poor’s (S&P) with adjustments for industry and country specific risks, where appropriate.</p> <p>For loans and advances, management developed PDs based on the Group’s specific historical default rates for each industry classification. In performing historical analyses, management identified economic variables impacting credit risk and ECLs for each portfolio.</p> | <p>Our approach to addressing the matter, with the assistance of our valuation specialist, involved the following procedures, amongst others:</p> <ul style="list-style-type: none"> Updated our understanding of management’s ECL model including any changes to source data and assumptions. Tested the completeness of all loans and advances and debt securities to determine whether all items were included in the ECL models by agreeing the models to detailed loans and securities listings. Evaluated the reasonableness of management’s judgements pertaining to PD, SICR and forward looking information, including macro-economic factors, impacting the weighting of the scenarios as follows: <p>Debt securities</p> <p>PD:</p> <ul style="list-style-type: none"> Tested the critical data fields used in the ECL model, such as the maturity date, amortised cost, accrued interest, credit rating and interest rate by tracing data back to relevant source documents. Agreed the credit ratings and historic default rates used to calculate the PDs, on a sample basis, to external sources such as external rating agencies. <p>SICR:</p> <ul style="list-style-type: none"> Tested, on a sample basis, the accuracy of the initial credit risk and the credit risk at the reporting date using rating agency definitions of ‘investment grade’ and evaluated the appropriateness of the group classification of debt securities as Stage 2. |

| Key audit matter | How our audit addressed the key audit matter |
|--|---|
| <p>The estimation and application of forward looking information requires significant judgement. Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) which most closely correlate with credit losses in the relevant portfolio. Each macroeconomic scenario used in the ECL calculation incorporates forecasts of the relevant macroeconomic variables.</p> <p>In the event of a significant increase in credit risk (SICR), an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument (lifetime ECL). The consideration of days past due as well as adverse changes in a borrower’s credit rating, industry or the economic environment are factors considered in determining whether there has been a SICR.</p> <p>The estimation of ECL in Stage 1 and Stage 2 is a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios. The base case scenario is derived from macroeconomic forecasts which are publicly available. Upside and downside scenarios are set relative to the base case scenario adjusted for reasonably possible alternative macroeconomic conditions.</p> <p>We focused on this area due to the complexity of the techniques used to determine PDs and the number of significant judgements made by management regarding SICR and possible future economic scenarios as it pertains to debt securities and loans and advances.</p> | <ul style="list-style-type: none"> Performed an independent qualitative assessment for a sample of borrowers to determine whether there was any adverse public information affecting the criteria used to perform the staging. <p>Loans and advances</p> <p>PD:</p> <ul style="list-style-type: none"> Tested the critical data fields used in the ECL model for the PD determination, such as default date, effective interest rate, write-off data, and loan type by tracing data back to source documents. Reperformed the calculation of days past due, a key data input into the PD parameter, in the Group’s banking system on a sample basis. <p>SICR:</p> <ul style="list-style-type: none"> Evaluated, on a sample basis, the staging of loans and advances and compared our results to those identified and classified by management. <p>Forward Looking Information (Debt Securities & Loans and advances):</p> <ul style="list-style-type: none"> Assessed the reasonableness of the Group’s methodology for determining economic scenarios considering industry and component specific facts and circumstances within each of the jurisdictions that the Group operates. Evaluated the reasonableness of the increase in the weighting used for the worst case scenario by agreeing the forward looking economic information to external sources published or pronounced by reputable third parties. Sensitized the probability weightings used in the ECL calculation. <p>The results of our procedures indicated that the assumptions used by management for determining the probability of default, significant increase in credit risk and forward looking information were not unreasonable.</p> |



Key audit matter

How our audit addressed the key audit matter

Valuation of unquoted corporate debt and government securities classified as fair value through profit or loss, fair value through other comprehensive income and pledged assets (Group and Bank).

See notes 3, 18, 19 and 40 to the financial statements for disclosures of related accounting policies, judgements, estimates and balances.

As at September 30, 2024, unquoted corporate debt and government securities classified as investment securities at fair value through profit or loss, fair value through other comprehensive income, and pledged assets together account for \$56 billion or 5% of total assets of the Group.

These securities are classified and disclosed as Level 3 within the fair value hierarchy as one or more of the significant inputs is not based on observable market data.

For unquoted corporate debt and government securities, management uses valuation techniques which utilise the application of a market yield curve adjusted by a risk premium to discount the contractual cash flows of the instruments.

We focused on this area as the yield curve is an unobservable input requiring management's judgement and estimation, which is subject to high estimation uncertainty.

Our approach to addressing the matter, with the assistance of our valuation expert, involved the following procedures, amongst others:

- Updated our understanding of management's approach to performing the fair value assessment. This included updating our understanding of the process by which management's key assumptions and methodologies were developed and assessing their appropriateness.
- Tested the source data inputs used in the valuation model by performing confirmation procedures on a sample basis, and agreeing the issuance date, maturity date, coupon rate and risk premium at issuance to source documentation.
- Developed independent territory specific yield curves using industry data and experience and compared to management's yield curves.
- Tested, on a sample basis, the contractual cash flows of the underlying securities by comparing to source documentation and evaluating the impact of any variations.

Other information

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the consolidated and stand-alone financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report. Our opinion on the consolidated and stand-alone financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

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

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

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

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

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

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

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



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

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

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

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

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



Report on other legal and regulatory requirements

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

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

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

Pruewat hame Cooper
Chartered Accountants
Kingston, Jamaica
December 30, 2024

National Commercial Bank Jamaica Limited

Consolidated Income Statement

Year ended September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

| | Note | 2024 \$'000 | Restated 2023 \$'000 |
|--|------|----------------|----------------------------|
| Operating Income | | | |
| Interest income | | 79,877,419 | 71,683,566 |
| Interest expense | | (31,405,382) | (25,630,260) |
| Net interest income | 5 | 48,472,037 | 46,053,306 |
| Fee and commission income | | 34,524,839 | 31,457,470 |
| Fee and commission expense | | (10,679,447) | (9,359,737) |
| Net fee and commission income | 6 | 23,845,392 | 22,097,733 |
| Gain on foreign currency and investment activities | 7 | 9,666,467 | 12,566,320 |
| Credit impairment losses | 10 | (7,631,738) | (4,138,915) |
| Dividend income | 8 | 494,259 | 741,142 |
| Other operating income | | 242,302 | 487,971 |
| | | 2,771,290 | 9,656,518 |
| Net operating income | | 75,088,719 | 77,807,557 |
| Operating Expenses | | | |
| Staff costs | 9 | 26,277,604 | 29,615,265 |
| Depreciation and amortisation | | 4,337,035 | 2,667,196 |
| Finance cost | 45 | 1,163,296 | 1,179,275 |
| Other operating expenses | 11 | 37,664,737 | 34,642,654 |
| | | 69,442,672 | 68,104,390 |
| Operating Profit | | 5,646,047 | 9,703,167 |
| Share of profit/(loss) of associates | 20 | 33,420 | (21,253) |
| Profit before Taxation | | 5,679,467 | 9,681,914 |
| Taxation | 12 | 432,971 | (357,739) |
| Net Profit | | 6,112,438 | 9,324,175 |

National Commercial Bank Jamaica Limited

Consolidated Statement of Comprehensive Income

Year ended September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

| | 2024 \$'000 | Restated 2023 \$'000 |
|--|-------------------|----------------------------|
| Net Profit | 6,112,438 | 9,324,175 |
| Other Comprehensive Income, net of tax - | | |
| Items that will not be reclassified to profit or loss | | |
| Remeasurement of post-employment benefit obligations | 1,342,085 | (2,561,505) |
| | 1,342,085 | (2,561,505) |
| Items that may be reclassified subsequently to profit or loss | | |
| Currency translation gains | 303,770 | 668,086 |
| Expected credit reversals on debt instruments at fair value through other comprehensive income (FVOCI) | 131,006 | 609,239 |
| Changes in unrealised gains on securities designated as FVOCI | 10,120,122 | 13,475,584 |
| Realised fair value (gains)/losses on sale and maturity of securities designated as FVOCI | (620,302) | 1,730,324 |
| | 9,934,596 | 16,483,233 |
| Total other comprehensive income | 11,276,681 | 13,921,728 |
| TOTAL COMPREHENSIVE INCOME | 17,389,119 | 23,245,903 |

National Commercial Bank Jamaica Limited

Consolidated Statement of Financial Position

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

| | Note | 2024 \$'000 | Restated 2023 \$'000 |
|--|------|----------------------|----------------------------|
| ASSETS | | | |
| Cash in hand and balances at Central Banks | 13 | 92,833,408 | 73,563,518 |
| Due from other banks | 14 | 39,321,209 | 43,172,897 |
| Derivative financial instruments | 15 | 29,964 | 144,577 |
| Reverse repurchase agreements | 16 | 2,963,754 | 5,024,804 |
| Loans and advances, net of provision for credit losses | 17 | 467,468,958 | 465,296,454 |
| Investment securities | 18 | 301,205,109 | 273,279,033 |
| Pledged assets | 19 | 237,986,153 | 268,394,808 |
| Investment in associates | 20 | 2,494,281 | 112,083 |
| Investment properties | 21 | - | 340,498 |
| Intangible assets | 22 | 12,353,812 | 13,453,610 |
| Property, plant and equipment | 23 | 11,324,973 | 10,892,738 |
| Right-of-use assets | 45 | 2,024,006 | 2,440,380 |
| Deferred income tax assets | 24 | 11,328,733 | 9,447,882 |
| Income tax recoverable | | 7,528,844 | 8,145,895 |
| Letters of credit and undertaking | | 4,337,120 | 5,179,547 |
| Other assets | 25 | 45,474,548 | 27,784,563 |
| Total Assets | | <u>1,238,674,872</u> | <u>1,206,673,287</u> |

National Commercial Bank Jamaica Limited

Consolidated Statement of Financial Position (Continued)

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

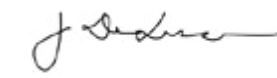
| | Note | 2024 \$'000 | Restated 2023 \$'000 |
|---|------|----------------------|----------------------------|
| LIABILITIES | | | |
| Due to other banks | 26 | 8,764,265 | 20,732,326 |
| Customer deposits | | 597,392,213 | 571,781,342 |
| Repurchase agreements | | 296,545,583 | 277,983,070 |
| Derivative financial instruments | | - | 9,192 |
| Obligations under securitisation arrangements | 27 | 92,999,381 | 98,195,007 |
| Other borrowed funds | 28 | 39,996,639 | 38,545,042 |
| Deferred income tax liabilities | 24 | 1,294 | 39,178 |
| Post-employment benefit obligations | 30 | 6,184,133 | 7,608,452 |
| Letters of credit and undertaking | | 4,337,120 | 5,179,547 |
| Lease liabilities | 45 | 1,747,562 | 2,172,041 |
| Other liabilities | 31 | 35,958,155 | 34,560,631 |
| Total Liabilities | | <u>1,083,926,345</u> | <u>1,056,805,828</u> |
| EQUITY | | | |
| Share capital | 32 | 16,237,731 | 16,237,731 |
| Fair value and capital reserves | 33 | 2,056,740 | (7,877,856) |
| Loan loss reserve | 34 | 2,954,297 | 5,753,840 |
| Banking reserve fund | 35 | 17,834,218 | 6,809,960 |
| Retained earnings reserve | 36 | 65,544,904 | 75,270,000 |
| Retained earnings | | 50,120,637 | 53,673,784 |
| Total Equity | | <u>154,748,527</u> | <u>149,867,459</u> |
| Total Equity and Liabilities | | <u>1,238,674,872</u> | <u>1,206,673,287</u> |

Approved for issue by the Board of Directors on December 27, 2024 and signed on its behalf by:



Bruce Bowen

Chief Executive Officer



Jacqueline De Lisser

Chief Financial Officer



Gary Brown

Lead Independent
Director


Stephanie Neita

Corporate Secretary

Consolidated Statement of Changes in Equity

Year ended September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

| Note | Share Capital | Fair Value and Capital Reserves | Loan Loss Reserve | Banking Reserve Fund | Retained Earnings Reserve | Retained Earnings | Total |
|------|---------------|---------------------------------|-------------------|----------------------|---------------------------|-------------------|--------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| | 6,465,731 | (24,361,089) | 6,349,934 | 6,773,806 | 67,170,000 | 69,756,239 | 132,154,621 |
| | - | 16,483,233 | - | - | - | 7,546,041 | 24,029,274 |
| | - | - | (596,094) | - | - | 596,094 | - |
| | - | - | - | 36,154 | - | (36,154) | - |
| | 9,772,000 | - | - | - | - | - | 9,772,000 |
| | - | - | - | - | 8,100,000 | (8,100,000) | - |
| | - | - | - | - | - | (15,305,063) | (15,305,063) |
| 42 | 16,237,731 | (7,877,856) | 5,753,840 | 6,809,960 | 75,270,000 | 54,457,157 | 150,650,832 |
| | - | - | - | - | - | (783,373) | (783,373) |
| | 16,237,731 | (7,877,856) | 5,753,840 | 6,809,960 | 75,270,000 | 53,673,784 | 149,867,459 |
| | - | 9,934,596 | - | - | - | 7,454,523 | 17,389,119 |
| | - | - | (2,799,543) | - | - | 2,799,543 | - |
| | - | - | - | 1,299,162 | - | (1,299,162) | - |
| | - | - | - | 9,725,096 | (9,725,096) | - | - |
| | - | - | - | - | - | (12,508,051) | (12,508,051) |
| 42 | 16,237,731 | 2,056,740 | 2,954,297 | 17,834,218 | 65,544,904 | 50,120,637 | 154,748,527 |
| | - | - | - | - | - | - | - |
| | 16,237,731 | 2,056,740 | 2,954,297 | 17,834,218 | 65,544,904 | 50,120,637 | 154,748,527 |

National Commercial Bank Jamaica Limited

Consolidated Statement of Cash Flows

Year ended September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

| | Note | 2024 \$'000 | Restated 2023 \$'000 |
|--|------|-------------------|----------------------------|
| Cash Flows from Operating Activities | | | |
| Net profit | | 6,112,438 | 9,324,175 |
| Adjustments to reconcile net profit to net cash provided by operating activities | | 29,037,447 | 37,973,242 |
| Net cash provided by operating activities | 37 | 35,149,885 | 47,297,417 |
| Cash Flows from Investing Activities | | | |
| Acquisition of property, plant and equipment | 23 | (1,663,669) | (1,701,811) |
| Acquisition of intangible asset – computer software | 22 | (1,997,755) | (3,979,507) |
| Proceeds from disposal of property, plant and equipment | | 774 | 99,755 |
| Purchases of investment securities | | (283,472,078) | (392,374,050) |
| Sales/maturities of investment securities | | 297,857,675 | 341,443,127 |
| Net cash provided by/(used in) investing activities | | 10,724,947 | (56,512,486) |
| Cash Flows from Financing Activities | | | |
| Repayments under securitisation arrangements | | (6,248,786) | (2,745,242) |
| Proceeds from other borrowed funds | | 10,110,763 | 18,956,009 |
| Repayments of other borrowed funds | | (8,768,101) | (6,347,103) |
| Due to other banks | | (3,608,050) | (9,639,968) |
| Payment of principal portion of lease liabilities | | (716,440) | (923,240) |
| Dividends paid | | (12,508,051) | (5,533,063) |
| Net cash used in financing activities | | (21,738,665) | (6,232,607) |
| Effect of exchange rate changes on cash and cash equivalents | | 1,099,109 | 782,376 |
| Net increase/(decrease) in cash and cash equivalents | | 25,235,276 | (14,665,300) |
| Cash and cash equivalents at beginning of year | | 58,715,569 | 73,380,869 |
| Cash and Cash Equivalents at End of Year | | 83,950,845 | 58,715,569 |
| Comprising: | | | |
| Cash in hand and balances at Central Banks | 13 | 42,820,709 | 24,661,673 |
| Due from other banks | 14 | 35,724,341 | 40,641,774 |
| Reverse repurchase agreements | 16 | 300,000 | 20,000 |
| Investment securities | 18 | 9,845,319 | 6,385,867 |
| Due to other banks | 26 | (4,739,524) | (12,993,745) |
| | | 83,950,845 | 58,715,569 |

National Commercial Bank Jamaica Limited

Bank Income Statement

Year ended September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

| | Note | 2024 \$'000 | Restated 2023 \$'000 |
|--|------|--------------------------|----------------------------|
| Operating Income | | | |
| Interest income | | 63,969,293 | 56,884,691 |
| Interest expense | | (18,430,467) | (15,195,707) |
| Net interest income | 5 | <u>45,538,826</u> | <u>41,688,984</u> |
| Fee and commission income | | 30,918,025 | 27,749,935 |
| Fee and commission expense | | (10,679,447) | (9,355,903) |
| Net fee and commission income | 6 | <u>20,238,578</u> | <u>18,394,032</u> |
| Gain on foreign currency and investment activities | 7 | 8,368,478 | 9,087,503 |
| Credit impairment losses | 10 | (7,294,096) | (4,179,385) |
| Dividend income | 8 | 5,702,511 | 4,946,401 |
| Other operating income | | 284,066 | 394,409 |
| | | <u>7,060,959</u> | <u>10,248,928</u> |
| Net operating income | | <u>72,838,363</u> | <u>70,331,944</u> |
| Operating Expenses | | | |
| Staff costs | 9 | 23,021,075 | 26,252,599 |
| Depreciation and amortisation | | 4,180,958 | 2,499,002 |
| Finance cost | | 1,050,231 | 1,104,364 |
| Other operating expenses | 11 | 33,822,091 | 31,965,801 |
| | | <u>62,074,355</u> | <u>61,821,766</u> |
| Profit before taxation | | <u>10,764,008</u> | <u>8,510,178</u> |
| Taxation | 12 | (1,454,362) | (795,914) |
| NET PROFIT | | <u>9,309,646</u> | <u>7,714,264</u> |

National Commercial Bank Jamaica Limited

Bank Statement of Comprehensive Income

Year ended September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

| | 2024 \$'000 | Restated 2023 \$'000 |
|---|--------------------------|----------------------------|
| Net Profit | 9,309,646 | 7,714,264 |
| Other Comprehensive Income, net of tax: | | |
| Items that will not be reclassified to profit or loss | | |
| Remeasurement of post-employment benefit obligations | 1,342,085 | (2,561,504) |
| Capital gain from share buy back | 5,376,605 | - |
| | <u>6,718,690</u> | <u>(2,561,504)</u> |
| Items that may be reclassified subsequently to profit or loss | | |
| Expected credit (losses)/reversals on debt instruments at FVOCI | (7,837) | 372,107 |
| Unrealised gains on securities designated as FVOCI | 1,150,675 | 13,964,843 |
| Realised fair value losses on sale and maturity on securities designated as FVOCI | 116,995 | 721,155 |
| | <u>1,259,833</u> | <u>15,058,105</u> |
| Total other comprehensive income | <u>7,978,523</u> | <u>12,496,601</u> |
| TOTAL COMPREHENSIVE INCOME | <u>17,288,169</u> | <u>20,210,865</u> |

National Commercial Bank Jamaica Limited

Bank Statement of Financial Position

Year ended September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

| | Note | 2024 \$'000 | Restated 2023 \$'000 |
|--|------|--------------------|----------------------------|
| ASSETS | | | |
| Cash in hand and balances at Central Bank | 13 | 91,381,545 | 71,991,826 |
| Due from other banks | 14 | 27,015,848 | 34,847,289 |
| Derivative Financial Instruments | 15 | 29,964 | 144,577 |
| Loans and advances, net of provision for credit losses | 17 | 455,961,397 | 447,196,844 |
| Investment securities | 18 | 139,356,578 | 123,811,834 |
| Pledged assets | 19 | 138,941,465 | 144,402,952 |
| Investment in subsidiaries | | 1,389,671 | 1,461,402 |
| Intangible assets | 22 | 11,707,910 | 12,697,785 |
| Property, plant and equipment | 23 | 11,292,362 | 10,891,729 |
| Right-of-use-assets | 45 | 1,820,107 | 2,208,204 |
| Deferred income tax assets | 24 | 6,925,896 | 7,256,530 |
| Income tax recoverable | | 5,862,008 | 6,621,743 |
| Letters of credit and undertaking | | 4,337,120 | 5,179,547 |
| Other assets | 25 | 42,677,429 | 27,997,879 |
| Total Assets | | 938,699,300 | 896,710,141 |

National Commercial Bank Jamaica Limited

Bank Statement of Financial Position (Continued)

Year ended September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

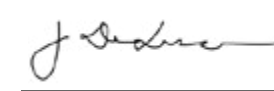
| | Note | 2024 \$'000 | Restated 2023 \$'000 |
|---|------|--------------------|----------------------------|
| LIABILITIES | | | |
| Due to other banks | 26 | 10,409,800 | 20,472,600 |
| Customer deposits | | 569,129,451 | 532,554,213 |
| Derivative financial instruments | | - | 9,192 |
| Repurchase agreements | | 99,368,276 | 82,698,221 |
| Obligations under securitisation arrangements | 27 | 92,999,381 | 98,195,007 |
| Other borrowed funds | 28 | 18,230,669 | 17,766,199 |
| Post-employment benefit obligations | 30 | 6,184,133 | 7,608,452 |
| Letters of credit and undertaking | | 4,337,120 | 5,179,547 |
| Lease liabilities | 45 | 1,640,215 | 2,030,727 |
| Other liabilities | 31 | 26,505,369 | 24,922,207 |
| Total Liabilities | | 828,804,414 | 791,436,365 |
| EQUITY | | | |
| Share capital | 32 | 16,237,731 | 16,237,731 |
| Fair value and capital reserves | 33 | (142,304) | (1,402,137) |
| Loan loss reserve | 34 | 2,954,297 | 5,753,840 |
| Banking reserve fund | 35 | 17,512,375 | 6,512,634 |
| Retained earnings reserve | 36 | 65,544,904 | 75,270,000 |
| Retained earnings | | 7,787,883 | 2,901,708 |
| Total Equity | | 109,894,886 | 105,273,776 |
| Total Equity and Liabilities | | 938,699,300 | 896,710,141 |

Approved for issue by the Board of Directors on December 27, 2024 and signed on its behalf by:



Bruce Bowen

Chief Executive Officer



Jacqueline De Lisser

Chief Financial Officer



Gary Brown

Lead Independent
Director


Stephanie Neita

Corporate Secretary

Bank Statement of Changes in Equity

Year ended September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

| | Note | Share Capital \$'000 | Fair Value and Capital Reserves \$'000 | Loan Loss Reserve \$'000 | Banking Reserve Fund \$'000 | Retained Earnings Reserve \$'000 | Retained Earnings \$'000 | Total \$'000 |
|---|------|-------------------------|---|-----------------------------|--------------------------------|-------------------------------------|-----------------------------|-----------------|
| Balance at October 1, 2022 | | 6,465,731 | (16,460,242) | 6,349,934 | 6,512,634 | 67,170,000 | 20,557,918 | 90,595,975 |
| Issue of new shares | | 9,772,000 | - | - | - | - | - | 9,772,000 |
| Total comprehensive income | | - | 15,058,105 | - | - | - | 5,936,132 | 20,994,237 |
| Transfer to Retained Earnings Reserve | | - | - | - | - | 8,100,000 | (8,100,000) | - |
| Transfer from Loan Loss Reserve | | - | - | (596,094) | - | - | 596,094 | - |
| Transaction with owners of the Bank - | | - | - | - | - | - | - | - |
| Dividends paid | 42 | - | - | - | - | - | (15,305,063) | (15,305,063) |
| Balance at September 30, 2024 as previously stated | | 16,237,731 | (1,402,137) | 5,753,840 | 6,512,634 | 75,270,000 | 3,685,081 | 106,057,149 |
| Restatement of September 30, 2023 | | - | - | - | - | - | (783,373) | (783,373) |
| Restated Balance at October 1, 2023 - restated | | 16,237,731 | (1,402,137) | 5,753,840 | 6,512,634 | 75,270,000 | 2,901,708 | 105,273,776 |
| Total comprehensive income | | - | 1,259,833 | - | - | - | 16,028,336 | 17,288,169 |
| Transfer from Retained Earnings Reserve | | - | - | - | 9,725,096 | (9,725,096) | - | - |
| Transfer from Loan Loss Reserve | | - | - | (2,799,543) | - | - | 2,799,543 | - |
| Transfer to Banking Reserve | | - | - | - | 1,274,645 | - | (1,274,645) | - |
| Dividends paid | 42 | - | - | - | - | - | (12,667,059) | (12,667,059) |
| Balance at September 30, 2024 | | 16,237,731 | (142,304) | 2,954,297 | 17,512,375 | 65,544,904 | 7,787,883 | 109,894,886 |

National Commercial Bank Jamaica Limited

Bank Statement of Cash Flows

Year ended September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

| | Note | 2024 \$'000 | Restated 2023 \$'000 |
|--|------|-------------------|----------------------------|
| Cash Flows from Operating Activities | | | |
| Net profit | | 9,309,646 | 7,714,263 |
| Adjustments to reconcile net profit to net cash provided by operating activities | | 20,544,394 | 18,471,503 |
| Net cash provided by operating activities | 37 | 29,854,040 | 26,185,766 |
| Cash Flows from Investing Activities | | | |
| Acquisition of property, plant and equipment | 23 | (1,638,229) | (1,693,735) |
| Acquisition of intangible asset – computer software | 22 | (1,958,483) | (3,732,862) |
| Proceeds from disposal of property, plant and equipment | | 774 | 97,818 |
| Purchases of investment securities | | (158,634,063) | (260,098,434) |
| Sales/maturities of investment securities | | 172,306,425 | 258,970,212 |
| Net cash provided by/(used in) investing activities | | 10,076,424 | (6,457,001) |
| Cash Flows from Financing Activities | | | |
| Repayments under securitisation arrangements | | (6,248,786) | (2,745,242) |
| Proceeds from other borrowed funds | | 2,187,251 | 6,146,499 |
| Repayments of other borrowed funds | | (1,779,305) | (4,008,391) |
| Due to other banks | | (3,610,759) | (9,637,141) |
| Payment of principal portion of lease liabilities | | (655,909) | (864,131) |
| Dividends paid | | (12,667,059) | (5,533,063) |
| Net cash used in financing activities | | (22,774,567) | (16,641,469) |
| Effect of exchange rate changes on cash and cash equivalents | | 1,099,109 | 782,376 |
| Net increase in cash and cash equivalents | | 18,255,006 | 3,869,672 |
| Cash and cash equivalents at beginning of year | | 49,823,090 | 45,953,418 |
| Cash and Cash Equivalents at End of Year | | 68,078,096 | 49,823,090 |
| Comprising: | | | |
| Cash in hand and balances at Central Bank | 13 | 41,368,846 | 24,519,422 |
| Due from other banks | 14 | 23,418,980 | 32,291,124 |
| Investment securities | 18 | 9,675,329 | 5,746,563 |
| Due to other banks | 26 | (6,385,059) | (12,734,019) |
| | | 68,078,096 | 49,823,090 |

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities

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

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

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

| | Country of Incorporation | Principal Activities | Percentage Ownership by The Group | |
|---|--------------------------|--|-----------------------------------|------|
| | | | 2024 | 2023 |
| Data-Cap Processing Limited | Jamaica | Inactive | 100 | 100 |
| MSIB Limited | Jamaica | Dormant | 100 | 100 |
| NCB Capital Markets Limited | Jamaica | Securities Dealing and Stock Brokerage Services | 100 | 100 |
| NCB Capital Markets (Cayman) Ltd. | Cayman | Securities Dealing | 100 | 100 |
| NCB Merchant Bank (Trinidad and Tobago) Limited | Trinidad | Merchant Banking | 100 | 100 |
| NCB Capital Markets (Barbados) Limited | Barbados | Brokerage Services | 100 | 100 |
| NCB Capital Markets (Guyana) Inc. | Guyana | Inactive | 100 | 100 |
| NCB Capital Markets SA | Dominican Republic | Inactive | 100 | 100 |
| NCB (Cayman) Limited | Cayman | Commercial Banking | 100 | 100 |
| NCB Trust Company (Cayman) Limited | Cayman | Dormant | 100 | 100 |
| NCB Insurance Agency & Fund Managers Limited | Jamaica | Insurance brokerage, Investment and Pension Fund Management Services | 100 | 100 |
| N.C.B. (Investments) Limited | Jamaica | Dormant | 100 | 100 |
| N.C.B. Jamaica (Nominees) Limited | Jamaica | Dormant | 100 | 100 |
| NCB Remittance Services (Jamaica) Limited | Jamaica | Dormant | 100 | 100 |
| NCB Financial Services UK Limited | United Kingdom | Dormant | 100 | 100 |
| West Indies Trust Company Limited | Jamaica | Trust and Estate Management Services | 100 | 100 |
| NCB Employee Share Scheme | Jamaica | Dormant | 100 | 100 |

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities (Continued)

The Group's associates are as follows:

| | Principal Activities | Percentage ownership by The Group | |
|--|--------------------------|-----------------------------------|-------|
| | | 2024 | 2023 |
| Elite Diagnostic Limited | Medical Imaging Services | 18.69 | 18.69 |
| Mundo Finance Limited | Micro Financing | 50.00 | 50.00 |
| Capital Infrastructure Group Limited (Note 3 – Investment in associates) | Property Investment | 76.00 | - |

All the Group's associates are incorporated in Jamaica.

Mundo has ceased operations in November 2023 and the entity is being wound up, a full provision for write off was made for the carrying amount.

2. Material Accounting Policies

(a) Basis of preparation

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

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

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

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

Amendments to IAS 12, 'Income Taxes', due to the Organisation for Economic Co-operation and Development (OECD) Pillar two rules, (to be applied immediately, however, the disclosures about the known or reasonably estimable exposure to Pillar Two income taxes are only required for annual reporting periods beginning on or after 1 January 2023). In December 2021, the OECD released the Pillar Two model rules (the Global Anti-Base Erosion Proposal, or 'GloBE') to reform international corporate taxation. Large multinational enterprises within the scope of the rules are required to calculate their GloBE effective tax rate for each jurisdiction where they operate. They will be liable to pay a top-up tax for the difference between their GloBE effective tax rate per jurisdiction and the 15% minimum rate. In May 2023, the IASB made narrow-scope amendments to IAS 12 which provide a temporary relief from the requirement to recognise and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two model rules, including tax law that implements qualified domestic minimum top-up taxes described in those rules.

The amendments also require affected companies to disclose:

- the fact that they have applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes,
- their current tax expense (if any) related to the Pillar Two income taxes and

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

2. Material Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

- during the period between the legislation being enacted or substantially enacted and the legislation becoming effective, known or reasonably estimable information that would help users of financial statements to understand an entity's exposure to Pillar Two income taxes arising from that legislation. If this information is not known or reasonably estimable, entities are instead required to disclose a statement to that effect and information about their progress in assessing the exposure.

The amendment did not have any significant impact on the Group's financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2, 'Disclosure of Accounting Policies', (effective for annual periods beginning on or after 1 January 2023). The IASB amended IAS 1 Presentation of Financial Statements to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements) and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgments to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The amendment had no significant impact on the operation or financial statements of the Group.

Amendments to IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' -

Definition of Accounting Estimates, (effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period. The amendment had no significant impact on the operation or financial statements of the Group.

Amendments to IAS 12, 'Income Taxes', - Deferred Tax related to Assets and Liabilities arising from a Single Transaction, (effective for annual periods beginning on or after 1 January 2023). The amendments to IAS 12 require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations, and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities, and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets. The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate. IAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable.

The amendment did not have a significant impact on the Group's financial statements.

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

2. Material Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

Amendment to IAS 1 – Non-current liabilities with covenants (effective for annual periods beginning on or after 1 January 2024). These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

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

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

Amendment to IAS 7 and IFRS 7 - Supplier finance (effective for annual periods beginning on or after 1 January 2024). These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis. The Group is currently assessing the impact of this amendment.

Amendments to IAS 21 - Lack of Exchangeability (effective for annual periods beginning on or after 1 January 2025). An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations. The Group is currently assessing the impact of this amendment.

Amendments to IFRS 9, 'Financial Instruments' and IFRS 7, 'Financial Instruments: Disclosures', 'the Classification and Measurement of Financial Instruments', (effective for annual periods beginning on or after 1 January 2026). On 30 May 2024, the IASB issued targeted amendments to IFRS 9 and IFRS 7 to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. These amendments:

- clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
- add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and
- update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

2. Material Accounting Policies (Continued)

(a) Basis of preparation

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

Amendments to IFRS 9, 'Financial Instruments' and IFRS 7, 'Financial Instruments: Disclosures', 'the Classification and Measurement of Financial Instruments' (continued)

The amendments in (b) are most relevant to financial institutions, but the amendments in (a), (c) and (d) are relevant to all entities. It is not anticipated that the amendments will have a significant impact on the Group's financial statements.

IFRS 18, 'Presentation and Disclosure in Financial Statements', (effective for annual periods beginning on or after 1 January 2027). This is the new standard on presentation and disclosure in financial statements, which replaces IAS 1, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to:

- the structure of the statement of profit or loss with defined subtotals;
- requirement to determine the most useful structure summary for presenting expenses in the statement of profit or loss • required disclosures in a single note within the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

Management is assessing the impact of this new standard on the Group's financial statements.

IFRS 19 Subsidiaries without Public Accountability: Disclosures (effective for annual periods beginning on or after 1 January 2027). This new standard works alongside other IFRS Accounting Standards. An eligible subsidiary applies the requirements in other IFRS Accounting Standards except for the disclosure requirements and instead applies the reduced disclosure requirements in IFRS 19. IFRS 19's reduced disclosure requirements balance the information needs of the users of eligible subsidiaries' financial statements with cost savings for preparers. IFRS 19 is a voluntary standard for eligible subsidiaries. A subsidiary is eligible if:

- it does not have public accountability; and
- it has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.

The Group is currently assessing the impact of this standard.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a material impact on the operations of the Group.

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

2. Material Accounting Policies (Continued)

(b) Basis of consolidation

Subsidiaries

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

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

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

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

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

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

2. Material Accounting Policies (Continued)

(b) Basis of consolidation (continued)

Associates

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

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

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

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

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

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

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

2. Material Accounting Policies (Continued)

(c) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

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

Group companies

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

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

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

2. Material Accounting Policies (Continued)

(d) Revenue recognition

Interest income and expense

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

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

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

Fee and commission income

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

Dividend income

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

Rental Income

Rental income is recognised on an accrual basis.

Realised and unrealised investment gains and losses

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

Dividend distributions

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

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

2. Material Accounting Policies (Continued)

(e) Income taxes

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

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

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

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

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

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

(f) Cash and cash equivalents

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

(g) Financial assets

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

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

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

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

2. Material Accounting Policies (Continued)

Business model assessment

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

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

The Group reclassifies debt instruments only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be infrequent.

Solely payments of principal and interest ("SPPI")

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

Equity instruments

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

Debt instruments

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

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

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

2. Material Accounting Policies (Continued)

(g) Financial assets (continued)

Initial recognition

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

De-recognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for de-recognition that is created or retained by the Group is recognised as a separate asset or liability in the consolidated statement of financial position. On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income ("OCI") is recognised in profit or loss.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Classification of financial assets

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

- FVPL;
- FVOCI; or,
- amortised cost.

Financial assets measured at fair value through profit and loss (FVPL)

Financial instruments are classified in this category if they meet one of the criteria set out below and are so designated irrevocably at inception:

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

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

2. Material Accounting Policies (Continued)

(g) Financial assets (continued)

Financial assets measured at fair value through other comprehensive income (FVOCI)

Financial assets held for a business model that is achieved by both collecting and selling contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that SPPI are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains and losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in net gains / (losses) on investment securities. Foreign exchange gains or losses are presented in gain on foreign currency and investment activities and impairment losses are presented as a separate line item in the income statement, as credit impairment losses.

Financial assets measured at amortised cost

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

Impairment of financial assets

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

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

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

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

Purchased or originated credit-impaired assets (POCI)

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

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

2. Material Accounting Policies (Continued)

(g) Financial assets (continued)

Definition of default

The Group determines that a financial instrument is in default, credit-impaired and in stage 3 by considering relevant objective evidence, primarily whether:

- contractual payments of either principal or interest are past due for 90 days or more;
- there are other indications that the borrower is unlikely to pay such as that a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition; and,
- the financial asset is otherwise considered to be in default.

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

Write-offs

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

Recognition and Measurement of ECL

The general approach to recognising and measuring ECL reflects:

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

Expected credit losses are calculated by multiplying the following three main components:

- The probability of default ("PD");
- The loss given default ("LGD"); and,
- The exposure at default ("EAD"), discounted at the original effective interest rate.

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

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

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

2. Material Accounting Policies (Continued)

(g) Financial assets (continued)

Recognition and Measurement of ECL (continued)

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

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

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

Forward looking information

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

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

The weightings assigned to each economic scenario as of September 30, 2024 vary by jurisdiction and were as follows:

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

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

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

2. Material Accounting Policies (Continued)

(g) Financial assets (continued)

Modification of loans

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

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

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

Acceptance, guarantees, indemnities, letters of credit and undertakings

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance; and,
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

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

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

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

2. Material Accounting Policies (Continued)

(h) Derivative financial instruments

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

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

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

(i) Repurchase and reverse repurchase transactions

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

(j) Loans and advances and provisions for credit losses

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

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

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

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

2. Material Accounting Policies (Continued)

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

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

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

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

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

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

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

2. Material Accounting Policies (Continued)

(k) Investment properties

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

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

(l) Intangible assets

Computer software

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

Core deposits, customer relationships and trade name

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

(m) Property, plant and equipment

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

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

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

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

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

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

2. Material Accounting Policies (Continued)

(n) Impairment of long lived assets

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

(o) Financial liabilities

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

Offsetting financial instruments

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

(p) Borrowings

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

(q) Structured products

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

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

2. Material Accounting Policies (Continued)

(r) Leases

The Group's accounting policy for leases where the Group is the lessee is as follows:

As lessee

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

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

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

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

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

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

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

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

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

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

2. Material Accounting Policies (Continued)

(r) Leases (continued)

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

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

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

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

(s) Provisions

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

(t) Post-employment benefits

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans and post-employment medical plans.

Pension benefits

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

Defined benefit pension plans

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

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

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

2. Material Accounting Policies (Continued)

(t) Post-employment benefits (continued) Defined benefit pension plans (continued)

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

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

Past-service costs are recognised immediately in expenses.

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

Defined contribution pension plans

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

Other post-employment benefit obligations

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

Termination benefits

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

Annual leave

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

Other employee benefits

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

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

2. Material Accounting Policies (Continued)

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

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

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

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

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

(v) Offsetting of financial instruments

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

(w) Fiduciary activities

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

(x) Interest expense

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

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

3. Critical Accounting Estimates and Judgments in Applying Accounting Policies

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

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

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

Income taxes

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

Impairment of financial assets

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

Establishing staging

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

Debt securities and deposits

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

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

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

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

Impairment of financial assets (continued) Debt securities and deposits (continued)

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

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

Stage 2 instruments are assets which:

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

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

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

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

Debt securities and deposits (continued)

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

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

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

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

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

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

Forward looking information

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

Fair value of investment securities

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

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

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

Future obligations for post-employment benefits

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

Interests in structured entities

Unit Trust Scheme

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

One of the Group's subsidiaries, as investment manager, earns income from preliminary charges ranging from 0-4% and management fees ranging from 1.5 - 2.5% on these Unit Trust portfolios. The Group owns 0.48% (2023 – 0.47%) of the units in the Unit Trust at September 30, 2024.

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

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

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

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

Interests in structured entities (continued)

Mutual Funds

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

Investment in associates

A company within the Group entered into a private equity investment agreement to acquire 76% of the issued ordinary share capital in Capital Infrastructure Group Limited, while the remaining 24% is owned jointly by two other investors. The investment was done in two tranches.

The acquired entity specialize in infrastructure projects and has three classes of shares namely two classes of preference shares A&B and the ordinary shares. The management of the entity is undertaken jointly by the two other investors who also jointly owns all the preference shares issued by the entity. The managers through an oversight committee is responsible for the relevant activities of the entity and they also have the right to appoint the majority of the directors to the Board.

The determination of whether an investment is an associate, a joint arrangement or a subsidiary requires consideration of all facts and circumstances, and typically begins with an analysis of the company's proportion of the investee's voting rights. Judgment may be required to determine the existence of significant influence, joint control or control when it involves elements such as contractual arrangements between shareholders, voting rights, restrictions on board representation or relevant activities of the investee. Consideration is also given to whether the Company has power over the investee and an assessment of the exposure to variability arising from the aggregate economic interests in the investee as well as whether the Company has the ability to use its power to affect the amount of its return.

Both managers are acting as principals and not agents, in operating the entity through the management contract coupled with substantial power by virtue of Class B Preference Shares. Individually, each manager has a sizeable interest in the common equity of the entity that gives them sufficient exposure to variable returns in addition to the at-market compensation for services through Class A and Class B fixed cumulative dividends. The investment in the entity is therefore deemed to be an associate as though it does not have control it has significant influence by way of its representation on the Board of Directors and the Infrastructure Oversight Committee.

The company's investments in associates are presented in note 20. The company exercised judgment in determining whether it obtained significant influence over the entity during the 2024 financial year, pursuant to the transactions described in note 20.

4. Responsibilities of the Appointed External Auditors

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

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

5. Net Interest Income

| | The Group | | The Bank | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2024 \$'000 | 2023 \$'000 | 2024 \$'000 | 2023 \$'000 |
| Interest income | | | | |
| Loans and advances | 50,935,010 | 45,208,786 | 50,105,771 | 44,154,811 |
| Investment securities – | | | | |
| Fair value through other comprehensive income | 13,582,841 | 16,887,377 | 5,488,561 | 4,269,588 |
| Amortised cost | 14,647,757 | 9,000,222 | 7,928,325 | 8,133,290 |
| Reverse repurchase agreements | 260,827 | 300,796 | 2,808 | 108 |
| Deposits and other | 450,984 | 286,385 | 443,828 | 326,894 |
| | <u>79,877,419</u> | <u>71,683,566</u> | <u>63,969,293</u> | <u>56,884,691</u> |
| Interest expense | | | | |
| Customer deposits | 5,891,142 | 4,711,179 | 4,649,699 | 3,727,244 |
| Repurchase agreements | 16,103,003 | 12,277,613 | 6,286,452 | 3,903,309 |
| Securitisation arrangements | 5,677,382 | 5,865,349 | 5,677,382 | 5,865,349 |
| Other borrowed funds and amounts due to other banks | 3,733,855 | 2,776,119 | 1,816,934 | 1,699,805 |
| | <u>31,405,382</u> | <u>25,630,260</u> | <u>18,430,467</u> | <u>15,195,707</u> |
| Net interest income | <u>48,472,037</u> | <u>46,053,306</u> | <u>45,538,826</u> | <u>41,688,984</u> |

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

6. Net Fee and Commission Income

| | The Group | | The Bank | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2024 \$'000 | 2023 \$'000 | 2024 \$'000 | 2023 \$'000 |
| Fee and commission income | | | | |
| Commercial and consumer | 5,956,790 | 5,344,052 | 5,956,790 | 5,344,052 |
| Payment services | 21,711,046 | 19,146,997 | 21,711,046 | 19,146,997 |
| Corporate banking | 1,470,250 | 1,214,052 | 1,470,250 | 1,214,052 |
| Management fees | - | - | 955,692 | 1,221,197 |
| Treasury and correspondent banking | 708,192 | 659,713 | 708,192 | 659,713 |
| Wealth, asset management & investment banking | 1,701,052 | 1,981,526 | - | - |
| Insurance agency and pension fund management | 2,894,440 | 2,973,903 | - | - |
| Other | 83,069 | 137,227 | 116,055 | 163,924 |
| | <u>34,524,839</u> | <u>31,457,470</u> | <u>30,918,025</u> | <u>27,749,935</u> |
| Fee and commission expense | | | | |
| Payment services | (10,679,447) | (9,359,737) | (10,679,447) | (9,355,903) |
| | <u>23,845,392</u> | <u>22,097,733</u> | <u>20,238,578</u> | <u>18,394,032</u> |

7. Gain on Foreign Currency and Investment Activities

| | The Group | | The Bank | |
|---|------------------|-------------------|------------------|------------------|
| | 2024 \$'000 | 2023 \$'000 | 2024 \$'000 | 2023 \$'000 |
| Net foreign exchange gains | 7,200,608 | 6,913,204 | 6,947,083 | 6,804,883 |
| Loss/Gain on sale of debt securities held for trading | 152,566 | 119,352 | - | - |
| Gain on sale of debt securities at FVOCI | 1,524,848 | 3,075,642 | 1,421,395 | 2,282,620 |
| Unrealised gains on FVOCI and FVPL instruments | 276,846 | 2,334,560 | - | - |
| Interest income on FVPL instruments | 89,423 | 105,127 | - | - |
| Fair value losses on revaluation of investment property (Note 21) | - | (30,817) | - | - |
| Gain on sale of equity securities | 422,176 | 49,252 | - | - |
| | <u>9,666,467</u> | <u>12,566,320</u> | <u>8,368,478</u> | <u>9,087,503</u> |

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

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

8. Dividend Income

| | The Group | | The Bank | |
|-------------------------|----------------|----------------|------------------|------------------|
| | 2024 \$'000 | 2023 \$'000 | 2024 \$'000 | 2023 \$'000 |
| Subsidiaries | - | - | 5,670,944 | 4,922,013 |
| Other equity securities | 494,259 | 741,142 | 31,567 | 24,388 |
| | <u>494,259</u> | <u>741,142</u> | <u>5,702,511</u> | <u>4,946,401</u> |

9. Staff Costs

| | The Group | | The Bank | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 2024 \$'000 | 2023 \$'000 | 2024 \$'000 | 2023 \$'000 |
| Wages, salaries, allowances and benefits | 22,945,977 | 23,713,053 | 20,168,089 | 20,937,945 |
| Payroll taxes | 2,067,344 | 2,407,333 | 1,819,006 | 2,151,921 |
| Pension costs – defined contribution/benefit plans | 710,819 | 678,545 | 615,810 | 585,876 |
| Termination benefits | (3,812) | 2,338,266 | (170,639) | 2,233,665 |
| Staff profit share | (31,533) | 134,876 | - | - |
| Other post-employment benefits (Note 30) | 588,809 | 343,192 | 588,809 | 343,192 |
| | <u>26,277,604</u> | <u>29,615,265</u> | <u>23,021,075</u> | <u>26,252,599</u> |

Wages, salaries, allowances and benefits

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

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

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

10. Credit Impairment Losses

| | The Group | | The Bank | |
|------------------------------|------------------|------------------|------------------|------------------|
| | 2024 | 2023 | 2024 | 2023 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Investment securities | (91,321) | (777,524) | (33,454) | (495,949) |
| Receivables | 85,884 | - | - | - |
| Loans and advances (note 17) | 7,637,175 | 4,916,439 | 7,327,550 | 4,675,334 |
| | <u>7,631,738</u> | <u>4,138,915</u> | <u>7,294,096</u> | <u>4,179,385</u> |

11. Other Operating Expenses

| | The Group | | The Bank | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2024 | 2023 | 2024 | 2023 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Auditors' remuneration | 173,847 | 163,030 | 76,906 | 76,462 |
| Credit card rebates | 1,710,948 | 1,905,058 | 1,710,948 | 1,905,058 |
| Insurance and premiums | 1,179,421 | 1,041,086 | 1,136,223 | 997,012 |
| Irrecoverable general consumption tax and asset tax | 4,906,433 | 4,825,316 | 4,271,719 | 4,352,795 |
| License and transaction processing fees | 1,112,600 | 1,131,798 | 789,851 | 761,337 |
| Marketing, customer care, advertising and donations | 2,167,533 | 2,523,657 | 1,865,233 | 2,167,841 |
| Property, vehicle and ABM maintenance and utilities | 6,876,325 | 6,433,563 | 6,673,103 | 6,216,137 |
| Stationery | 438,982 | 483,443 | 434,012 | 481,030 |
| Technical, consultancy and professional fees | 4,160,170 | 4,333,911 | 3,210,737 | 3,709,803 |
| Travelling, courier and telecommunication | 1,728,500 | 1,750,291 | 1,656,424 | 1,672,877 |
| Management & royalty fees | 7,248,020 | 5,781,000 | 7,015,337 | 5,570,067 |
| Operational losses | 5,085,954 | 3,440,546 | 4,366,615 | 3,418,176 |
| Other | 876,004 | 829,955 | 614,983 | 637,206 |
| | <u>37,664,737</u> | <u>34,642,654</u> | <u>33,822,091</u> | <u>31,965,801</u> |

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

12. Taxation

| | The Group | | The Bank | |
|-----------------------------------|------------------|----------------|------------------|----------------|
| | 2024 | Restated 2023 | 2024 | Restated 2023 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Current: | | | | |
| Income tax | 3,171,278 | 2,521,391 | 2,688,279 | 1,868,137 |
| Business levy and Green fund levy | 14,562 | 7,962 | - | - |
| Prior year over under provision | (275,830) | (73,376) | (263,593) | (32,692) |
| Deferred income tax (Note 24) | (3,342,981) | (2,098,238) | (970,324) | (1,039,531) |
| | <u>(432,971)</u> | <u>357,739</u> | <u>1,454,362</u> | <u>795,914</u> |

The tax on profit differs from the theoretical amount that would arise using the basic statutory rate of 25% for the insurance agency subsidiary, 33 1/3% for the Bank and other regulated companies, 21% for the subsidiary incorporated in the United Kingdom and 25% for all other subsidiaries (with the exception of the subsidiaries incorporated in Cayman Islands). Business and Green Fund levy are in relation to our Trinidad subsidiary and are taxed at a rate of 0.6% and 0.3% of gross sales. The reconciliation of taxation is as follows:

| | The Group | | The Bank | |
|---|------------------|----------------|------------------|----------------|
| | 2024 | 2023 | 2024 | 2023 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Profit before tax | 5,679,467 | 9,703,167 | 10,764,008 | 8,510,177 |
| Tax calculated at actual tax rates | 1,508,876 | 2,462,798 | 3,588,087 | 2,835,765 |
| Income not subject to tax | (1,883,581) | (3,554,445) | (721,221) | (1,064,578) |
| Expenses not deductible for tax purposes | 1,124,588 | 976,094 | 728,468 | 748,924 |
| Effect of share of profit of associates included net of tax | (11,140) | 7,085 | - | - |
| Effect of different tax rates applicable to dividend income | 99,426 | 326,786 | (1,752,101) | (1,645,098) |
| Deferred tax not recognised | 43,605 | - | - | - |
| Prior year over provision | (275,830) | (73,376) | (263,593) | (32,692) |
| Business levy & Green fund levy | 14,562 | 7,962 | - | - |
| Other | (1,053,477) | 204,835 | (125,278) | (46,407) |
| Taxation expense | <u>(432,971)</u> | <u>357,739</u> | <u>1,454,362</u> | <u>795,914</u> |

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

12. Taxation (Continued)

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

| | The Group | | | The Bank | | |
|--|----------------------|--------------------|---------------------|----------------------|--------------------|---------------------|
| | Before Tax \$'000 | Tax \$'000 | After Tax \$'000 | Before Tax \$'000 | Tax \$'000 | After Tax \$'000 |
| At September 30, 2024 | | | | | | |
| Currency translation gains | 303,770 | - | 303,770 | | | |
| ECL and fair value gains on FVOCI investments, net of gains recycled to profit or loss | 10,384,029 | (753,203) | 9,630,826 | 1,889,749 | (629,916) | 1,259,833 |
| Remeasurement of post-employment benefit obligation | 2,013,128 | (671,043) | 1,342,085 | 2,013,128 | (671,043) | 1,342,085 |
| Other comprehensive income | 12,700,927 | (1,424,246) | 11,276,681 | 3,902,877 | (1,300,959) | 2,601,918 |

Deferred income tax (Note 24) (1,424,246) (1,300,959)

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

Deferred income tax (Note 24) (7,333,040) (6,268,118)

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

13. Cash in Hand and Balances at Central Banks

| | The Group | | The Bank | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 2024 \$'000 | 2023 \$'000 | 2024 \$'000 | 2023 \$'000 |
| Cash in hand | 21,933,376 | 23,356,187 | 21,932,661 | 23,355,406 |
| Balances with central banks other than statutory reserves | 20,887,333 | 1,305,486 | 19,436,185 | 1,164,016 |
| Included in cash and cash equivalents | 42,820,709 | 24,661,673 | 41,368,846 | 24,519,422 |
| Statutory reserves with central banks – non-interest-bearing | 50,012,699 | 48,901,845 | 50,012,699 | 47,472,404 |
| | <u>92,833,408</u> | <u>73,563,518</u> | <u>91,381,545</u> | <u>71,991,826</u> |

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

14. Due from Other Banks

| | The Group | | The Bank | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 2024 \$'000 | 2023 \$'000 | 2024 \$'000 | 2023 \$'000 |
| Items in course of collection from other banks | (580,972) | (581,366) | (581,181) | (361,873) |
| Placements with other banks | 38,870,830 | 45,519,163 | 26,565,994 | 35,169,366 |
| | 38,289,858 | 44,937,797 | 25,984,813 | 34,807,493 |
| Interest receivable | 3,597,465 | 2,531,122 | 3,596,868 | 2,556,164 |
| Loss allowance (ECL) | (281) | (22) | - | - |
| | 41,887,042 | 47,468,897 | 29,581,681 | 37,363,657 |
| Less: Placements pledged as collateral for letters of credit (Note 19) | (2,565,833) | (4,296,000) | (2,565,833) | (2,516,368) |
| | <u>39,321,209</u> | <u>43,172,897</u> | <u>27,015,848</u> | <u>34,847,289</u> |

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

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

14. Due from Other Banks (Continued)

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

| | The Group | | The Bank | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2024 \$'000 | 2023 \$'000 | 2024 \$'000 | 2023 \$'000 |
| Due from other banks | 39,312,555 | 42,957,408 | 27,007,194 | 34,606,758 |
| Less: amounts restricted to the settlement of obligations under securitisation arrangements | (3,588,214) | (2,315,634) | (3,588,214) | (2,315,634) |
| | <u>35,724,341</u> | <u>40,641,774</u> | <u>23,418,980</u> | <u>32,291,124</u> |

15. Derivative Financial Instruments

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

| Assets | The Group | | The Bank | |
|-------------------|----------------|----------------|----------------|----------------|
| | 2024 \$'000 | 2023 \$'000 | 2024 \$'000 | 2023 \$'000 |
| Forward contracts | 29,964 | 144,577 | 29,964 | 144,577 |
| Options | - | - | - | - |
| | <u>29,964</u> | <u>144,577</u> | <u>29,964</u> | <u>144,577</u> |

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

Equity indexed options

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

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

16. Reverse Repurchase Agreements

The Group entered into collateralised reverse repurchase agreements which may result in credit exposure in the event that the counterparty to the transaction is unable to fulfill its contractual obligations. Included within reverse repurchase agreements is related accrued interest receivable of \$18,829,000 and \$Nil (2023 – \$59,639,000 and \$ Nil) for the Group and the Bank.

At September 30, 2024, the Group held \$3,610,026,000 (2023 – \$6,028,540,000) of securities, mainly representing Government of Jamaica debt securities, as collateral for reverse repurchase agreement. Of amounts received as collateral for reverse repurchase agreements, the Group has pledged Nil (2023 – \$Nil) as collateral for some of their own repurchase agreements.

Included in reverse repurchase agreements for the Group are securities with an original maturity of less than 90 days amounting to \$300,000,000 and \$Nil (2023 – \$20,000,000 and \$ Nil) which are regarded as cash equivalents for purposes of the statement of cash flows.

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

17. Loans and Advances

| | The Group | | The Bank | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 2024 \$'000 | 2023 \$'000 | 2024 \$'000 | 2023 \$'000 |
| Gross loans and advances, includes mortgage loans | 478,874,997 | 474,645,831 | 466,864,695 | 456,494,935 |
| Provision for credit losses | (12,070,891) | (10,497,994) | (11,439,324) | (10,185,931) |
| | <u>466,804,106</u> | <u>464,147,837</u> | <u>455,425,371</u> | <u>446,309,004</u> |
| Interest receivable | 664,852 | 1,148,617 | 536,026 | 887,840 |
| | <u>467,468,958</u> | <u>465,296,454</u> | <u>455,961,397</u> | <u>447,196,844</u> |

The current portion of loans and advances amounted to \$79,496,967,000 (2023 – \$82,601,888,000) for the Group and \$76,307,262,000 (2023 – \$76,204,374,000) for the Bank.

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

| | The Group | | The Bank | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 2024 \$'000 | 2023 \$'000 | 2024 \$'000 | 2023 \$'000 |
| Balance at beginning of year | 10,497,994 | 8,990,976 | 10,185,931 | 8,922,049 |
| Provided during the year | 8,518,656 | 5,882,344 | 8,209,031 | 5,641,239 |
| Recoveries | (881,481) | (965,905) | (881,481) | (965,905) |
| Net charge to the income statement (Note 10) | 7,637,175 | 4,916,439 | 7,327,550 | 4,675,334 |
| Write-offs | (6,064,278) | (3,409,421) | (6,074,156) | (3,411,452) |
| Balance at end of year | <u>12,070,891</u> | <u>10,497,994</u> | <u>11,439,325</u> | <u>10,185,931</u> |

The aggregate amount of non-performing loans on which interest was not being accrued as at September 30, 2024 was \$14,871,485,000 for the Group (2023 – \$15,269,604,000) and \$13,433,524,000 (2023 – \$13,495,757,000) for the Bank.

The provision for credit losses determined under Bank of Jamaica regulatory requirements (Note 2(j)) is as follows:

| | The Group and Bank | |
|--|--------------------|-------------------|
| | 2024 \$'000 | 2023 \$'000 |
| Specific provision | 10,695,079 | 11,996,662 |
| General provision | 4,330,109 | 4,255,172 |
| | <u>15,025,188</u> | <u>16,251,834</u> |
| Excess of regulatory provision over IFRS provision recognised in the Bank reflected in non-distributable loan loss reserve (Note 34) | <u>2,954,297</u> | <u>5,753,840</u> |

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

18. Investment Securities

| | The Group | | The Bank | |
|--|--------------------|--------------------|--------------------|--------------------|
| | 2024 \$'000 | 2023 \$'000 | 2024 \$'000 | 2023 \$'000 |
| Investment Securities Classified as FVPL: | | | | |
| Government of Jamaica debt securities | 1,202,408 | 1,524,359 | - | - |
| Other Government Securities | 343,343 | 222,226 | - | - |
| Corporate Debt Securities | 50,644 | 710,613 | - | - |
| Quoted and Unquoted equities | 10,419,750 | 17,789,237 | 18,255 | 18,255 |
| Collective Investment Schemes | 166,366 | 686,834 | - | - |
| Interest receivable | 29,597 | 30,488 | - | - |
| | <u>12,212,108</u> | <u>20,963,757</u> | <u>18,255</u> | <u>18,255</u> |
| Investment Securities Classified as FVOCI | | | | |
| Government of Jamaica debt securities | 135,934,014 | 156,276,700 | 26,902,397 | 39,360,474 |
| Other Government Securities | 118,860,464 | 75,801,979 | 68,427,110 | 31,927,900 |
| Corporate Debt Securities | 62,095,425 | 71,469,493 | 4,455,970 | 4,861,259 |
| Interest receivable | 3,993,612 | 3,976,262 | 1,074,898 | 797,452 |
| | <u>320,883,515</u> | <u>307,524,434</u> | <u>100,860,375</u> | <u>76,947,085</u> |
| Investment securities at Amortised Cost | | | | |
| Government of Jamaica debt securities | 165,418,626 | 174,196,322 | 148,971,801 | 158,843,699 |
| Other Government Securities | 32,158,543 | 27,803,906 | 20,075,134 | 23,044,082 |
| Corporate Debt Securities | 3,484,156 | 4,360,895 | 3,484,156 | 4,360,895 |
| Interest receivable | 2,534,541 | 2,614,341 | 2,388,115 | 2,569,963 |
| | <u>203,595,866</u> | <u>208,975,464</u> | <u>174,919,206</u> | <u>188,818,639</u> |
| Expected credit losses | (66,060) | (85,814) | (65,626) | (85,561) |
| | <u>536,625,429</u> | <u>537,377,841</u> | <u>275,732,210</u> | <u>265,698,418</u> |
| Total investment securities, as above | 536,625,429 | 537,377,841 | 275,732,210 | 265,698,418 |
| Less: Pledged securities (Note 19) | (235,420,320) | (264,098,808) | (136,375,632) | (141,886,584) |
| Amount reported on the statement of financial position | <u>301,205,109</u> | <u>273,279,033</u> | <u>139,356,578</u> | <u>123,811,834</u> |

The current portion of total investment securities amounted to \$99,048,753,000 (2023 - \$91,559,573,000) for the Group and \$49,723,008,000 (2023 - \$59,305,176,000) for the Bank.

Included in investment securities are debt securities with an original maturity of less than 90 days amounting to \$9,845,319,000 (2023 - \$6,385,867,000) for the Group and \$9,675,329,000 (2023 - \$5,746,563,000) for the Bank which are regarded as cash and cash equivalents for purposes of the statement of cash flows.

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

19. Pledged Assets

| | The Group | | The Bank | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 2024 \$'000 | 2023 \$'000 | 2024 \$'000 | 2023 \$'000 |
| Investment securities pledged as collateral for: | | | | |
| Repurchase agreements | 233,915,922 | 262,624,450 | 134,871,400 | 140,578,021 |
| Clearing services | 1,504,398 | 1,474,358 | 1,504,232 | 1,308,563 |
| | <u>235,420,320</u> | <u>264,098,808</u> | <u>136,375,632</u> | <u>141,886,584</u> |
| Placements with other banks pledged as collateral for letters of credit (Note 14) | 2,565,833 | 4,296,000 | 2,565,833 | 2,516,368 |
| | <u>237,986,153</u> | <u>268,394,808</u> | <u>138,941,465</u> | <u>144,402,952</u> |

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

20. Investment in Associates

| | The Group | |
|------------------------------|------------------|----------------|
| | 2024 \$'000 | 2023 \$'000 |
| At the beginning of the year | 112,083 | 133,336 |
| Acquisitions | 2,398,778 | - |
| Share of profit/(loss) | 33,420 | (21,253) |
| Write-offs | (50,000) | - |
| At end of year | <u>2,494,281</u> | <u>112,083</u> |

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

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

20. Investment in Associates (Continued)

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

| | The Group | | | |
|------------------------------|------------------|------------------|----------------|------------------|
| | JSE | | JSE | |
| | Carrying Value | Indicative Value | Carrying Value | Indicative Value |
| | 2024 | 2024 | 2023 | 2023 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Elite Diagnostic | 95,503 | 104,349 | 74,802 | 118,218 |
| Mundo Finance | - | - | 37,281 | - |
| Capital Infrastructure Group | 2,398,778 | - | - | - |
| | <u>2,494,281</u> | <u>104,349</u> | <u>112,083</u> | <u>118,218</u> |

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

| | Capital Infrastructure Group | Elite Diagnostic Limited | Total |
|------------------------------------|------------------------------|--------------------------|---------------|
| | \$'000 | \$'000 | \$'000 |
| 2024 | | | |
| Current assets | 2,835,136 | 189,565 | 3,024,701 |
| Non-current assets | 1,768,310 | 866,495 | 2,634,805 |
| Current liabilities | 112,679 | 242,894 | 355,573 |
| Non-current liabilities | 1,161,672 | 302,185 | 1,463,857 |
| Revenue | 209,262 | 821,283 | 1,030,545 |
| Profit from continuing operations | <u>65,809</u> | <u>26,155</u> | <u>91,964</u> |
| Percentage ownership | 76 | 18.69 | |
| Net assets of the associate - 100% | <u>3,329,095</u> | <u>510,981</u> | |
| Group share of net assets | <u>2,398,778</u> | <u>95,503</u> | |

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

20. Investment in Associates (Continued)

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

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

21. Investment Properties

| | The Group | |
|------------------------------|-----------|----------|
| | 2024 | 2023 |
| | \$'000 | \$'000 |
| Balance at beginning of year | 340,498 | 364,846 |
| Transfers | (343,081) | - |
| Foreign exchange adjustments | 2,583 | 6,469 |
| Fair value losses (note 7) | - | (30,817) |
| Balance at end of year | - | 340,498 |

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

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

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

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

22. Intangible Assets

| | The Group | |
|--------------------------------------|--------------|--------------|
| | 2024 | 2023 |
| | \$'000 | \$'000 |
| Net book value, at beginning of year | 13,453,610 | 11,048,353 |
| Translation adjustment | 2,277 | 2,471 |
| Additions | 1,997,755 | 3,979,507 |
| Amortisation charge | (3,094,228) | (1,598,507) |
| Reclassifications and adjustments | (5,602) | 21,786 |
| Net book value, at end of year | 12,353,812 | 13,453,610 |
| Cost | 34,878,834 | 32,880,574 |
| Accumulated amortisation | (22,525,022) | (19,426,964) |
| Closing net book value | 12,353,812 | 13,453,610 |

| | The Bank | |
|--------------------------------------|--------------|--------------|
| | 2024 | 2023 |
| | \$'000 | \$'000 |
| Net book value, at beginning of year | 12,697,785 | 10,401,810 |
| Additions | 1,958,483 | 3,732,862 |
| Amortisation charge | (2,942,757) | (1,436,887) |
| Reclassifications and adjustments | (5,601) | - |
| Net book value, at end of year | 11,707,910 | 12,697,785 |
| Cost | 32,498,526 | 30,546,526 |
| Accumulated amortisation | (20,790,616) | (17,848,741) |
| Net book value | 11,707,910 | 12,697,785 |

Computer software for the Group at year end include items with a cost of \$4,594,673,000 (2023 - \$4,247,045,000) on which no amortisation has yet been charged as these software applications are in the process of implementation.

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

23. Property, Plant and Equipment

| | The Group | | | |
|-----------------------------------|--|---------------------------------------|------------------|------------|
| | Freehold Land and Buildings and Leasehold Improvements | Motor Vehicles, Furniture & Equipment | Work-in-Progress | Total |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Cost - | | | | |
| At October 1, 2022 | 8,015,871 | 13,744,307 | 796,052 | 22,556,230 |
| Additions | 27,135 | 1,153,020 | 521,656 | 1,701,811 |
| Disposals | (40,504) | (49,291) | - | (89,795) |
| Transfers | 296,417 | 371,170 | (667,587) | - |
| Reclassifications and adjustments | - | 44 | - | 44 |
| At September 30, 2023 | 8,298,919 | 15,219,250 | 650,121 | 24,168,290 |
| Additions | 71,734 | 1,928,644 | (336,709) | 1,663,669 |
| Disposals | - | (5,100) | - | (5,100) |
| Transfers | 10,008 | 170,697 | (180,705) | - |
| Reclassifications and adjustments | - | (333,079) | 326,280 | (6,799) |
| At September 30, 2024 | 8,380,661 | 16,980,412 | 458,987 | 25,820,060 |
| Accumulated Depreciation - | | | | |
| At October 1, 2022 | 1,148,920 | 11,119,985 | - | 12,268,905 |
| Charge for the year | 125,333 | 943,556 | - | 1,068,889 |
| Disposals | (16,104) | (46,459) | - | (62,563) |
| Reclassifications and adjustments | - | 321 | - | 321 |
| At September 30, 2023 | 1,258,149 | 12,017,403 | - | 13,275,552 |
| Charge for the year | 130,946 | 1,111,861 | - | 1,242,807 |
| Disposals | - | (4,326) | - | (4,326) |
| Reclassifications and adjustments | - | (18,946) | - | (18,946) |
| At September 30, 2024 | 1,389,095 | 13,105,992 | - | 14,495,087 |
| Net Book Value - | | | | |
| September 30, 2024 | 6,991,566 | 3,874,420 | 458,987 | 11,324,973 |
| September 30, 2023 | 7,040,770 | 3,201,847 | 650,121 | 10,892,738 |

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

23. Property, Plant and Equipment (Continued)

| | The Bank | | | |
|----------------------------------|---|---------------------------------------|------------------|------------|
| | Freehold Land and Building and Leasehold Improvements | Motor Vehicles, Furniture & Equipment | Work-in-Progress | Total |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Cost - | | | | |
| At October 1, 2022 | 8,015,871 | 13,575,661 | 725,779 | 22,317,311 |
| Additions | 27,135 | 1,150,796 | 515,804 | 1,693,735 |
| Disposals | (40,504) | (49,291) | - | (89,795) |
| Transfers | 296,417 | 371,170 | (667,587) | - |
| At September 30, 2023 | 8,298,919 | 15,048,336 | 573,996 | 23,921,251 |
| Additions | 71,734 | 1,903,880 | (337,385) | 1,638,229 |
| Disposals | - | (5,100) | - | (5,100) |
| Reclassification and adjustments | - | (332,929) | 326,280 | (6,649) |
| Transfers | 10,008 | 170,697 | (180,705) | - |
| At September 30, 2024 | 8,380,661 | 16,784,884 | 382,186 | 25,547,731 |
| Accumulated Depreciation - | | | | |
| At October 1, 2022 | 1,162,176 | 10,867,793 | - | 12,029,969 |
| Charge for the year | 125,333 | 936,781 | - | 1,062,114 |
| Disposals | (16,104) | (46,459) | - | (62,563) |
| Reclassification and adjustments | - | 2 | - | 2 |
| At September 30, 2023 | 1,271,405 | 11,758,117 | - | 13,029,522 |
| Charge for the year | 130,944 | 1,107,255 | - | 1,238,199 |
| Disposals | - | (4,326) | - | (4,326) |
| Reclassification and adjustments | - | (8,026) | - | (8,026) |
| At September 30, 2024 | 1,402,349 | 12,853,020 | - | 14,255,369 |
| Net Book Value - | | | | |
| September 30, 2024 | 6,978,312 | 3,931,864 | 382,186 | 11,292,362 |
| September 30, 2023 | 7,027,514 | 3,290,219 | 573,996 | 10,891,729 |

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

24. Deferred Income Taxes

Deferred income taxes are calculated on all temporary differences under the liability method using a tax rate of 33½% for the Bank and other regulated companies, 21% for the subsidiary incorporated in the United Kingdom and 25% for all other subsidiaries; with the exception of the subsidiaries incorporated in the Cayman Islands which has no income tax.

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

| | The Group | | The Bank | |
|--------------------------|----------------|----------------|----------------|----------------|
| | 2024 \$'000 | 2023 \$'000 | 2024 \$'000 | 2023 \$'000 |
| Deferred tax assets | (11,328,733) | (9,447,882) | (6,925,896) | (7,256,530) |
| Deferred tax liabilities | 1,294 | 39,178 | - | - |
| Net asset at end of year | (11,327,439) | (9,408,704) | (6,925,896) | (7,256,530) |

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

| | The Group | | The Bank | |
|---|----------------|----------------|----------------|----------------|
| | 2024 \$'000 | 2023 \$'000 | 2024 \$'000 | 2023 \$'000 |
| Net asset at beginning of year | (9,408,704) | (14,643,506) | (7,256,530) | (12,485,117) |
| Deferred tax (credited)/debited in the income statement (Note 12) | (3,342,981) | (2,098,238) | (970,324) | (1,039,531) |
| Deferred tax credited to other comprehensive income (Note 12) | 1,424,246 | 7,333,040 | 1,300,958 | 6,268,118 |
| Net asset at end of year | (11,327,439) | (9,408,704) | (6,925,896) | (7,256,530) |

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

| | The Group | | The Bank | |
|--|----------------|----------------|----------------|----------------|
| | 2024 \$'000 | 2023 \$'000 | 2024 \$'000 | 2023 \$'000 |
| Deferred tax assets to be recovered after more than 12 months | (5,104,561) | (5,052,914) | (5,043,062) | (4,966,333) |
| Deferred tax liabilities to be settled after more than 12 months | 105,528 | 43,467 | - | - |

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

24. Deferred Income Taxes (Continued)

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

| | The Group | | The Bank | |
|---|----------------|----------------|----------------|----------------|
| | 2024 \$'000 | 2023 \$'000 | 2024 \$'000 | 2023 \$'000 |
| Deferred income tax assets: | | | | |
| Property, plant and equipment | 3,043,183 | 2,633,755 | 2,981,684 | 2,430,182 |
| Investment securities at FVOCI | 465,493 | 1,235,325 | 278,944 | 908,861 |
| Credit impairment losses | 500,400 | 20,682 | 473,215 | 11,647 |
| Pensions and other post-retirement benefits | 2,061,378 | 2,536,151 | 2,061,378 | 2,536,151 |
| Interest payable | 852,714 | 635,566 | - | - |
| Unrealised foreign exchange loss | 3,054,409 | 2,884,392 | 3,054,408 | 2,884,392 |
| Unutilised tax losses | 3,624,804 | 118,736 | - | - |
| Other temporary differences | 699,958 | 2,094,963 | 571,272 | 703,866 |
| | 14,302,339 | 12,159,570 | 9,420,901 | 9,475,099 |
| Deferred income tax liabilities: | | | | |
| Property, plant and equipment | 105,528 | 273 | - | - |
| Investment securities at FVPL | (49,649) | 94 | - | - |
| Investments securities at FVOCI | 122,862 | 124,843 | - | - |
| Interest receivable | 305,539 | 346,853 | - | - |
| Unrealised foreign exchange gains | 2,495,666 | 1,726,621 | 2,495,005 | 1,726,621 |
| Credit impairment losses | - | 28,147 | - | - |
| Other temporary differences | (5,046) | 524,035 | - | 491,948 |
| | 2,974,900 | 2,750,866 | 2,495,005 | 2,218,569 |
| Net deferred tax asset | (11,327,439) | (9,408,704) | (6,925,896) | (7,256,530) |

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

24. Deferred Income Taxes (Continued)

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

| | The Group | | The Bank | |
|---|--------------------|--------------------|------------------|--------------------|
| | 2024 \$'000 | 2023 \$'000 | 2024 \$'000 | 2023 \$'000 |
| Property, plant and equipment | (518,828) | (240,819) | (551,502) | (158,909) |
| Investment securities | 51,100 | (80,168) | - | - |
| Credit impairment losses | (930,393) | (280,512) | (953,518) | (271,477) |
| Pensions and other post-retirement benefits | (196,269) | (114,397) | (196,269) | (114,397) |
| Interest receivable | (25,181) | 98,478 | - | - |
| Interest payable | (219,411) | (225,501) | - | - |
| Accrued profit share | - | 67,327 | - | - |
| Accrued vacation leave | (20,500) | (26,991) | (21,095) | (21,878) |
| Unrealised foreign exchange gains/(losses) | 581,761 | (1 02,200) | 598,370 | (102,200) |
| Unutilised tax losses | (2,104,173) | (736,795) | - | - |
| Other temporary differences | 38,913 | (456,660) | 153,690 | (370,670) |
| | <u>(3,342,981)</u> | <u>(2,098,238)</u> | <u>(970,324)</u> | <u>(1,039,531)</u> |

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

| | The Group | | The Bank | |
|--|------------------|------------------|------------------|------------------|
| | 2024 \$'000 | 2023 \$'000 | 2024 \$'000 | 2023 \$'000 |
| Unrealised gains investments at FVOCI | 754,463 | 8,071,169 | 629,916 | 7,188,347 |
| Realised fair value (losses)/gains on sale and maturity of investments | (1,260) | 542,623 | - | 360,523 |
| Remeasurement of post-employment benefit obligation | 671,043 | (1,280,752) | 671,043 | (1,280,752) |
| | <u>1,424,246</u> | <u>7,333,040</u> | <u>1,300,959</u> | <u>6,268,118</u> |

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

25. Other Assets

| | The Group | | The Bank | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2024 \$'000 | 2023 \$'000 | 2024 \$'000 | 2023 \$'000 |
| Due from merchants, financial institutions, clients and payment systems providers | 23,932,318 | 19,181,177 | 20,000,484 | 11,532,025 |
| Prepayments | 7,786,105 | 4,174,341 | 7,465,568 | 3,427,544 |
| Shares held for incentive | 4,247,971 | 4,236,471 | 4,247,971 | 4,236,471 |
| Management fees & royalties | - | - | 1,545,161 | 1,706,054 |
| Other | 9,508,154 | 192,574 | 9,418,245 | 7,095,785 |
| | <u>45,474,548</u> | <u>27,784,563</u> | <u>42,677,429</u> | <u>27,997,879</u> |

The fair values of other assets approximate carrying values. The current portion of other assets for the Group is \$45,497,207,000 (2023- \$27,769,177,000) and the Bank \$42,677,429,000 (2023- \$27,982,492,000).

26. Due to other Banks

| | The Group | | The Bank | |
|-----------------------------|------------------|-------------------|-------------------|-------------------|
| | 2024 \$'000 | 2023 \$'000 | 2024 \$'000 | 2023 \$'000 |
| Items in course of payment | 3,775,380 | 3,733,820 | 3,755,384 | 3,713,814 |
| Borrowings from other banks | 4,693,069 | 16,612,533 | 4,693,069 | 14,290,954 |
| Deposits from other banks | 207,454 | 160,070 | 1,873,082 | 2,276,508 |
| | <u>8,675,903</u> | <u>20,506,423</u> | <u>10,321,535</u> | <u>20,281,276</u> |
| Interest payable | 88,362 | 225,903 | 88,265 | 191,324 |
| | <u>8,764,265</u> | <u>20,732,326</u> | <u>10,409,800</u> | <u>20,472,600</u> |

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

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

| | The Group | | The Bank | |
|--|------------------|-------------------|------------------|-------------------|
| | 2024 \$'000 | 2023 \$'000 | 2024 \$'000 | 2023 \$'000 |
| Total due to other banks | 8,675,903 | 20,506,423 | 10,321,535 | 20,281,276 |
| Less: amounts with original maturities of greater than 90 days | (3,936,379) | (7,512,678) | (3,936,476) | (7,547,257) |
| | <u>4,739,524</u> | <u>12,993,745</u> | <u>6,385,059</u> | <u>12,734,019</u> |

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

27. Obligations under Securitisation Arrangements

| | The Group and The Bank | |
|--|------------------------|----------------|
| | 2024 \$'000 | 2023 \$'000 |
| Diversified payment rights | | |
| Principal outstanding – US\$226,366,000 (2023 – US\$250,000,000) | 35,723,893 | 38,693,000 |
| Merchant voucher receivables | | |
| Principal outstanding – US\$362,239,000 (2023 – US\$384,000,000) | 57,166,494 | 59,556,337 |
| | 92,890,387 | 98,249,337 |
| Unamortised transaction fees | (763,027) | (962,281) |
| | 92,127,360 | 97,287,056 |
| Interest payable | 872,021 | 907,951 |
| Net liability | 92,999,381 | 98,195,007 |

The current portion of obligations under securitisation arrangements amounted to \$14,116,128,000 (2023 – \$12,640,593,000) for the Group and the Bank.

Diversified Payment Rights

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

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

The above arrangements require the Bank to maintain a minimum capital adequacy of 12.5%. As at the year end, the Bank’s capital adequacy ratio exceeded 15%.

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

27. Obligations under Securitisation Arrangements (Continued)

Merchant Voucher Receivables

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

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

Arising from this arrangement, NCBJ transferred its rights to all future receivables to an off-shore special purpose company (SPC), Jamaica Merchant Voucher Receivables Limited (“JMVR”) (note 29), which then issues notes which are secured by the MVR flows. The cash flows generated by the MVR are used by JMVR to make scheduled principal and interest payments to the note holders and any excess cash is transferred to NCBJ, provided no early amortisation event or default has occurred under the terms of the notes.

On November 21, 2016, NCBJ raised an additional US\$150 million through the MVR securitisation transaction (Series 2016-1 Notes). The transaction was structured on a mortgage-style amortisation basis with an interest-only period of forty-one months and thereafter quarterly principal amortisation, beginning July 7, 2022 to final maturity on January 8, 2027. Interest is due and payable on a quarterly basis calculated at a rate of 5.625% beginning January 9, 2021.

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

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

28. Other Borrowed Funds

| | The Group | | The Bank | |
|---------------------------------|----------------|----------------|----------------|----------------|
| | 2024 \$'000 | 2023 \$'000 | 2024 \$'000 | 2023 \$'000 |
| (a) Development Bank of Jamaica | 6,944,995 | 6,421,132 | 5,862,139 | 5,273,819 |
| (b) Corporate notes | 19,250,878 | 25,244,649 | 7,000,000 | 7,000,000 |
| (c) National Housing Trust | 5,223,681 | 5,346,511 | 5,223,681 | 5,346,510 |
| (d) Other | 8,264,818 | 1,271,638 | - | - |
| | 39,684,372 | 38,283,930 | 18,085,820 | 17,620,329 |
| Interest payable | 312,267 | 261,112 | 144,849 | 145,870 |
| | 39,996,639 | 38,545,042 | 18,230,669 | 17,766,199 |

The current portion of other borrowed funds amounted to \$12,788,989,000 (2023 – \$16,257,027,000) for the Group and \$784,546,000 (2023 – \$1,019,890,000) for the Bank.

- The loans from Development Bank of Jamaica are granted in both Jamaican and US dollars and are utilised by the Group to finance customers with viable ventures in agricultural, agro-industrial, construction, manufacturing, mining and tourism sectors of the economy. These loans are for terms up to 12 years and at rates ranging from 3.5% - 7%.
- Corporate notes are both unsecured and secured variable and fixed rate notes issued in a combination of Jamaican dollars and United States dollars. The notes are repayable between 2024 and 2025. The fixed rate notes attract interest between 4.5% and 9.0% and the variable rate notes attract interest of the six month weighted average on treasury bill yield plus 2.25% - 2.5% per annum.
- The loans from National Housing Trust (NHT) are granted as part of the Joint Financing Mortgage Programme. Under the partnership agreement, NHT contributors were able to access their NHT loans directly from NCBJ at the prevailing interest rate offered by NHT. These loans are for the terms up to 25 years at rates ranging from 0% - 4%. The Joint Financing Mortgage Programme (JFMP) was discontinued and replaced by the External Financing Mortgage Programme, EFMP which was fully implemented in August 2023. The final disbursement under the JFMP was in December 2023 on which the final payment is due and payable in December 2048.

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

29. Interests in Structured Entities

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

Consolidated Structured Entities

Securitisation Vehicles

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

Unconsolidated Structured Entity

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

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

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

| | The Group | |
|--|----------------|----------------|
| | 2024 \$'000 | 2023 \$'000 |
| Total assets of the Unit Trust | 34,548,833 | 34,852,298 |
| The Group's interest – Carrying value of units held (included in FVOCI securities – Note 18) | 166,366 | 162,695 |
| Maximum exposure to loss | 166,366 | 162,685 |
| Liability to the Unit Trust in relation to investment in repurchase obligations (included in repurchase obligations on the consolidated statement of financial position) | 1,411,005 | 494,844 |
| Total income from the Group's interests | 747,871 | 790,091 |

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

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

29. Interests in Structured Entities (Continued)

Unconsolidated Structured Entity (continued)

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

The company operates five funds. NCB Capital Markets Limited, a wholly owned subsidiary of the Group manages all the funds, except for, one fund that is jointly managed by Paynter (Jamaica) Limited, a wholly owned subsidiary of Epley Limited. Board of Directors of Stratus on September 26, 2024 resolved to wind up two funds solely managed by NCBCM.

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

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

| | The Group | |
|-------------------------------------|------------|------------|
| | 2024 | 2023 |
| | \$'000 | \$'000 |
| Total assets of the company | 11,996,930 | 11,004,579 |
| Maximum exposure to loss | 764,483 | 773,619 |
| Investments by the Group: | | |
| Preference shares | 2,129,895 | 697,251 |
| Management fees earned by the Group | 212,911 | 164,702 |

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

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

30. Post-employment Benefits

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

| | The Group & Bank | |
|--------------------------------|------------------|-----------|
| | 2024 | 2023 |
| | \$'000 | \$'000 |
| Other post-employment benefits | 6,184,133 | 7,608,452 |

The amounts recognised in the income statement are as follows:

| | The Group & Bank | |
|---|------------------|---------|
| | 2024 | 2023 |
| | \$'000 | \$'000 |
| Other post-employment benefits (Note 9) | 588,809 | 343,192 |

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

| | The Group & Bank | |
|--------------------------------|------------------|-----------|
| | 2024 | 2023 |
| | \$'000 | \$'000 |
| Other post-employment benefits | (2,013,128) | 3,842,257 |

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

30. Post-employment Benefits (Continued)

(a) Pension schemes

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

National Commercial Bank Staff Pension Fund 1986

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

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

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

No asset has been recognised in relation to the Bank's defined benefit scheme as, under the rules of the scheme, the employer would not benefit from any surplus on the winding up of the scheme. No additional current service cost has been incurred since closure of the scheme and the employer only makes a nominal contribution in order to retain the tax exempt status of the fund. The funding valuation as at June 30, 2024 showed a pension deficit of \$8,678,000. Subsequent to the funding valuation, a portfolio rebalancing plan was initiated, reducing the deficit from \$7.08 billion to \$4.20 billion, which will be funded over 15 years at \$461 million per year.

National Commercial Bank Staff Pension Fund 1999

This is a defined contribution scheme which is funded by payments from employees and by the employers of the relevant companies. Participating Group companies contribute an amount equivalent to 5% of employees' salary to the scheme each pay cycle and employees must contribute at least 5% and up to a maximum of 15%. Contribution to the scheme for the year was \$615,810,000 (2023 – \$585,876,000).

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

| | The Bank | |
|-------------------------------------|-----------------|---------------|
| | 2024 | 2023 |
| | \$'000 | \$'000 |
| Present value of funded obligations | 22,485,590 | 21,558,089 |
| Fair value of plan assets | (24,346,379) | (25,477,003) |
| Over – funded obligations | (1,860,789) | (3,918,914) |
| Limitation on pension assets | 1,860,789 | 3,918,914 |
| | - | - |

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

30. Post-employment Benefits (Continued)

(a) Pension schemes (continued)

The schemes are valued by actuaries annually using the projected unit credit method; the latest such valuation being carried out as at September 30, 2024 for the Bank's schemes.

The movement in the defined benefit obligation is as follows:

| | The Group & Bank | |
|---|-----------------------------|-------------------|
| | 2024 | 2023 |
| | \$'000 | \$'000 |
| At beginning of year | 21,558,090 | 25,504,708 |
| Interest cost | 2,345,095 | 2,805,298 |
| Remeasurements: | | |
| Experience gains | 191,931 | 66,963 |
| Demographic | - | (223,916) |
| Gains from changes in financial assumptions | 722,399 | (4,373,345) |
| Benefits paid | (2,331,925) | (2,221,618) |
| At end of year | <u>22,485,590</u> | <u>21,558,090</u> |

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

| | | |
|--|-------------------|-------------------|
| At beginning of year | 25,477,003 | 29,896,611 |
| Interest on plan assets | 2,795,770 | 3,310,367 |
| Remeasurement - return on plan assets, excluding amounts included in interest on plan assets | (1,594,470) | (5,508,357) |
| Benefits paid | (2,331,924) | (2,221,618) |
| At end of year | <u>24,346,379</u> | <u>25,477,003</u> |

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

30. Post-employment Benefits (Continued)

(a) Pension schemes (continued)

The amounts recognised in other comprehensive income are as follows:

| | The Group & Bank | |
|---|------------------|-------------|
| | 2024 | 2023 |
| | \$'000 | \$'000 |
| Gain on present value of funded obligations | 914,330 | (4,530,298) |
| Gain on fair value of plan assets | 1,594,470 | 5,508,357 |
| Change in effect of asset ceiling | (2,508,800) | (978,059) |
| Net gain | - | - |

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

| | 2024 | | 2023 | |
|-----------------------|-------------------|---------------|-------------------|---------------|
| | \$'000 | % | \$'000 | % |
| Equity securities | 12,009,135 | 49.33 | 13,060,085 | 51.26 |
| Debt securities | 8,623,102 | 35.42 | 8,920,016 | 35.01 |
| Real estate and other | 3,714,142 | 15.25 | 3,496,902 | 13.73 |
| | <u>24,346,379</u> | <u>100.00</u> | <u>25,477,003</u> | <u>100.00</u> |

These plan assets included:

- Ordinary stock units of NCB Financial Group Limited with a fair value of \$3,618,621,808 (2023 – \$4,455,087,000).
- Repurchase obligations, promissory notes and lease obligations of the Group aggregating \$160,169,851 (2023 – \$75,916,000).
- Properties occupied by the Group with a fair value of \$702,000,000 (2023 - \$905,000,000).

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

30. Post-employment Benefits (Continued)

(a) Pension schemes (continued)

Expected contributions to the Bank's defined benefit pension schemes for the year ending September 30, 2024 is nominal.

The principal actuarial assumptions used are as follows:

| | The Bank | |
|--------------------------|----------|--------|
| | 2024 | 2023 |
| Discount rate | 11.00% | 11.50% |
| Future salary increases | 7.00% | 9.50% |
| Future pension increases | 2.50% | 2.50% |

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

The average duration of the defined benefit pension obligation at September 30, 2024 is 8.1 years (2023 – 9.5 years) for the Bank's defined benefit scheme.

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

30. Post-employment Benefits (Continued)

(a) Pension schemes (continued)

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

The Bank

| | 2024 | | |
|--------------------------|---|------------------------|------------------------|
| | Increase/(decrease) in defined benefit obligation | | |
| | Change in Assumption | Increase in Assumption | Decrease in Assumption |
| | | \$'000 | \$'000 |
| Discount rate | 1% | (1,538,996) | 1,767,026 |
| Future salary increases | 1% | 30,805 | (29,976) |
| Future pension increases | 1% | 1,731,705 | (1,528,531) |
| Life expectancy | 1 year | 571,000 | (592,000) |

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

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

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

30. Post-employment Benefits (Continued)

(b) Other post-employment benefits

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

In addition to the assumptions used for pension schemes, the main actuarial assumption is a long-term increase in health costs of 2.0 percentage points above CPI per year (2023 – 2.0 percentage points above CPI).

The average duration of the other post-employment benefits obligation at September 30, 2024 is 20.7 years for the Bank.

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

| | The Group & Bank | |
|---------------------------------------|------------------|-----------|
| | 2024 | 2023 |
| | \$'000 | \$'000 |
| Present value of unfunded obligations | 6,184,133 | 7,608,452 |

The movement in the defined benefit obligation is as follows:

| | The Group & Bank | |
|--|------------------|-----------|
| | 2024 | 2023 |
| | \$'000 | \$'000 |
| At beginning of the year | 7,608,452 | 3,423,005 |
| Service cost | 225,586 | 70,255 |
| Interest cost | 867,372 | 388,149 |
| Past service cost | (353,050) | - |
| Remeasurements: | | |
| Experience (gains)/losses | (296,175) | 40,180 |
| Demographic assumptions | 838,175 | 450,651 |
| (Losses)/Gains from changes in financial assumptions | (2,555,128) | 3,351,426 |
| Benefits paid | (151,099) | (115,214) |
| At end of year | 6,184,133 | 7,608,452 |

The amounts recognised in the income statement are as follows:

| | The Group & Bank | |
|---|------------------|---------|
| | 2024 | 2023 |
| | \$'000 | \$'000 |
| Service cost | 225,586 | 70,255 |
| Net interest expense | 867,372 | 388,149 |
| Past service cost | (353,050) | - |
| Total, included in staff costs (Note 9) | 739,908 | 458,404 |

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

30. Post-employment Benefits (Continued)

(b) Other post-employment benefits (continued)

The sensitivity of the other post-employment benefit obligation to changes in the principal assumptions is as follows:

| The Bank | 2024 | | |
|------------------------|-----------------------------------|------------------------|------------------------|
| | Increase/(decrease) in obligation | | |
| | Change in Assumption | Increase in Assumption | Decrease in Assumption |
| | | \$'000 | \$'000 |
| Discount rate | 1% | (879,846) | 1,120,381 |
| Medical cost inflation | 1% | 1,127,878 | (898,457) |
| Life expectancy | 1 year | 171,300 | (171,300) |
| | | | |
| The Bank | 2023 | | |
| | Increase/(decrease) in obligation | | |
| | Change in Assumption | Increase in Assumption | Decrease in Assumption |
| | | \$'000 | \$'000 |
| Discount rate | 1% | (1,244,181) | 1,623,797 |
| Medical cost inflation | 1% | 1,602,497 | (1,250,438) |
| Life expectancy | 1 year | 236,520 | (236,520) |

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

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

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

Asset volatility risk

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

Interest rate risk

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

Salary risk

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

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

30. Post-employment Benefits (Continued)

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

Longevity risk

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

31. Other Liabilities

| | The Group | | The Bank | |
|---|-------------------|-------------------|-------------------|-------------------|
| | Restated | | Restated | |
| | 2024 | 2023 | 2024 | 2023 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Accrued staff benefits | 3,357,073 | 5,452,145 | 2,843,911 | 4,860,854 |
| Due to customers, merchants and clients | 19,911,194 | 15,557,863 | 13,960,637 | 10,278,270 |
| Accrued other operating expenses | 9,514,878 | 10,243,237 | 9,059,113 | 4,933,413 |
| Due to reinsurers and premium received in advance | 461,403 | 208,366 | - | - |
| Due to Government of Jamaica | 432,865 | 664,452 | 424,661 | 717,715 |
| Other | 2,280,742 | 2,434,567 | 217,047 | 4,131,954 |
| | <u>35,958,155</u> | <u>34,560,630</u> | <u>26,505,369</u> | <u>24,922,206</u> |

32. Share Capital

| | The Group | |
|---|-------------------|-------------------|
| | 2024 | 2023 |
| | \$'000 | \$'000 |
| Authorised - unlimited | | |
| Issued and fully paid up – | | |
| 2,616,559,716 (2023 - 2,616,559,716) ordinary stock units of no par value | 16,237,731 | 16,237,731 |
| Issued and outstanding | <u>16,237,731</u> | <u>16,237,731</u> |

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

38. Related Party Transactions and Balances

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

| | The Group | | | | | | | |
|----------------------------------|--|------------|-----------------------------------|---------|---|---------|--|---------|
| | Parent and companies controlled by major shareholder | | Associated companies of the Group | | Directors and key management personnel (and their families) | | Companies controlled by directors and related by virtue of common directorship | |
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Loans and advances | | | | | | | | |
| Balance at September 30 | 1,237 | 7,186,442 | 214,326 | 240,885 | 474,252 | 715,189 | 715,189 | 782,165 |
| Interest income earned | 257,006 | 320,128 | - | - | 17,926 | 34,996 | 34,996 | 25,523 |
| Investment securities | | | | | | | | |
| Balance at September 30 | 15,608,273 | 17,447,066 | - | - | - | - | - | - |
| Interest income earned | 1,279,168 | 1,253,001 | - | - | - | - | - | - |
| Other assets | | | | | | | | |
| Balance at September 30 | 7,209,724 | 761,152 | - | - | - | - | 136,229 | 208,555 |
| Fee and commission income | | | | | | | | |
| Other operating income | 34,969 | 108,341 | 49 | 49 | 553 | 82 | 4,603 | 4,813 |
| Dividend income | - | 885,947 | - | - | - | - | 830,451 | 927,117 |
| | - | - | - | - | - | - | 31,567 | 24,388 |

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

38. Related Party Transactions and Balances (Continued)

| | The Group (Continued) | | | | | | | |
|------------------------------|--|-----------|-----------------------------------|---------|---|-----------|--|----------|
| | Parent and companies controlled by major shareholder | | Associated companies of the Group | | Directors and key management personnel (and their families) | | Companies controlled by directors and related by virtue of common directorship | |
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Customer deposits | | | | | | | | |
| Balance at September 30 | 7,209,724 | 6,229,983 | 139,722 | 123,008 | - | 806,470 | - | 957,1244 |
| Interest expense | 3,460 | 3,457 | 74 | 74 | - | 2,178 | - | 463 |
| Repurchase agreements | | | | | | | | |
| Balance at September 30 | 1,035,684 | 568,333 | - | - | 1,240,006 | 4,288,000 | 416,623 | 474,913 |
| Interest expense | 30,056 | 48,368 | - | - | 24,707 | 261,523 | 59,241 | 20,429 |
| Other borrowed funds | | | | | | | | |
| Balance at September 30 | 7,126,192 | 9,450,252 | - | - | - | - | - | - |
| Interest expense | 491,341 | 514,386 | - | - | - | - | - | - |
| Other liabilities | | | | | | | | |
| Balance at September 30 | 515,169 | 150,770 | - | - | - | - | - | - |
| Operating expenses | | | | | | | | |
| | 7,805,414 | 5,977,893 | - | - | 41,272 | 13,234 | 438,471 | 415,057 |

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

38. Related Party Transactions and Balances (Continued)

| | The Bank | | | | | | | |
|--------------------------------------|--|-----------|-----------------------------------|---------|---|---------|--|---------|
| | Parent, subsidiaries and companies controlled by major shareholder | | Associated companies of the Group | | Directors and key management personnel (and their families) | | Companies controlled by directors and related by virtue of common directorship | |
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Loans and advances | | | | | | | | |
| Balance at September 30 | 1,237 | 7,186,442 | 214,326 | 240,885 | 479,769 | 715,189 | 872,984 | 937,958 |
| Interest income earned | 256,706 | 320,128 | - | - | 17,926 | 34,996 | 27,117 | 25,523 |
| Reverse repurchase agreements | | | | | | | | |
| Balance at September 30 | - | - | - | - | - | - | - | - |
| Interest income earned | 37 | - | - | - | - | - | - | - |
| Other assets | | | | | | | | |
| Balance at September 30 | 9,928,168 | 8,167,913 | - | - | - | - | - | - |
| Fee and commission income | | | | | | | | |
| Dividend income | 1,009,853 | 1,344,577 | 49 | 49 | 118 | 82 | 4,796 | 4813 |
| Other operating income | 5,670,945 | 4,922,013 | - | - | - | - | 31,567 | 24,389 |
| | 177,988 | 176,951 | - | - | - | - | - | - |

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

38. Related Party Transactions and Balances (Continued)

| | The Bank (Continued) | | | | | | | |
|------------------------------|--|------------|-----------------------------------|---------|---|---------|--|---------|
| | Parent, subsidiaries and companies controlled by major shareholder | | Associated companies of the Group | | Directors and key management personnel (and their families) | | Companies controlled by directors and related by virtue of common directorship | |
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Customer deposits | | | | | | | | |
| Balance at September 30 | 17,735,250 | 14,091,734 | 139,722 | 123,008 | 172,311 | 806,470 | 737,215 | 957,124 |
| Interest expense | 24,823 | 19,213 | 74 | 74 | 145 | 2,178 | 463 | 63 |
| Repurchase agreements | | | | | | | | |
| Balance at September 30 | 26,385,638 | 5,726,229 | - | - | - | - | - | - |
| Interest expense | 763,902 | 499,744 | - | - | - | - | - | - |
| Due to other banks | | | | | | | | |
| Balance at September 30 | 1,665,653 | 2,116,439 | - | - | - | - | - | - |
| Interest expense | 2,095 | 129,984 | - | - | - | - | - | - |
| Other borrowed funds | | | | | | | | |
| Balance at September 30 | 7,126,192 | 7,126,192 | - | - | - | - | - | - |
| Interest expense | 491,342 | 490,000 | - | - | - | - | - | - |
| Other liabilities | | | | | | | | |
| Balance at September 30 | 647,846 | 300,500 | - | - | - | - | - | - |
| Operating Expenses | | | | | | | | |
| | 7,508,345 | 5,980,546 | - | - | 41,272 | 13,234 | 437,700 | 415,057 |

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

38. Related Party Transactions and Balances (Continued)

| | The Group | | The Bank | |
|--|------------------|------------------|------------------|------------------|
| | 2024 \$'000 | 2023 \$'000 | 2024 \$'000 | 2023 \$'000 |
| Key management compensation: | | | | |
| Salaries and other short-term benefits | 1,256,857 | 4,245,805 | 974,199 | 3,827,603 |
| Post-employment benefits | 61,521 | 93,013 | 49,064 | 77,552 |
| | <u>1,318,378</u> | <u>4,338,818</u> | <u>1,023,263</u> | <u>3,905,155</u> |
| Directors' emoluments: | | | | |
| Fees | 16,247 | 42,105 | 12,224 | 11,290 |
| Management remuneration | | | | |
| Separation cost | - | 1,090,000 | - | 1,090,000 |
| Share benefits (NCBFG shares) | 21,141 | - | 21,141 | - |
| Salaries and other benefits | 359,814 | 1,897,683 | 359,814 | 1,897,683 |

39. Financial Risk Management

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

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

Risk Governance Structure

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

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

39. Financial Risk Management (Continued)

Risk limits and benchmarks are integral to the risk management process, as they characterise the Board's risk tolerance and also that of the Regulator. Limits are established for:

- (i) Credit and Counterparty risk - exposures to individuals, group, counterparty, country;
- (ii) Market risk - rate gap exposure, currency exposure, market value exposure; and
- (iii) Liquidity risk - liquidity gaps, funding exposures/liability diversification and liquid assets levels.

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

Policies & Procedures

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

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

(a) Credit risk

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

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

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

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

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

39. Financial Risk Management (Continued)

(a) Credit risk (continued)

Credit review process

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

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

- Standard
- Special Mention
- Sub-Standard
- Doubtful
- Loss

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

Collateral and other credit enhancements

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

The main types of collateral obtained are as follows:

- (i) Loans - mortgages over residential properties, charges over business assets such as premises, inventory and accounts receivable and charges over financial instruments such as debt securities.
- (ii) Securities lending and reverse repurchase transactions – cash or securities.

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

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

| | The Group | | | |
|-------------------------------------|-------------------|----------------------|------------------|-------------------------------|
| | 2024 | | | |
| | Gross exposure | Impairment allowance | Carrying amount | Fair value of collateral held |
| | \$000 | \$000 | \$000 | \$000 |
| Credit-impaired assets | | | | |
| Loans and advances | 15,227,059 | (9,456,172) | 5,770,887 | 19,131,512 |
| Total credit-impaired assets | 15,227,059 | (9,456,172) | 5,770,887 | 19,131,512 |

| | The Group | | | |
|-------------------------------------|-------------------|----------------------|------------------|-------------------------------|
| | 2023 | | | |
| | Gross exposure | Impairment allowance | Carrying amount | Fair value of collateral held |
| | \$000 | \$000 | \$000 | \$000 |
| Credit-impaired assets | | | | |
| Loans and advances | 15,269,605 | (7,908,590) | 7,361,015 | 24,179,101 |
| Total credit-impaired assets | 15,269,605 | (7,908,590) | 7,361,015 | 24,179,101 |

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

39. Financial Risk Management (Continued)

(b) Credit risk (continued)

| | The Bank | | | |
|-------------------------------------|-------------------|----------------------|------------------|-------------------------------|
| | 2024 | | | |
| | Gross exposure | Impairment allowance | Carrying amount | Fair value of collateral held |
| | \$000 | \$000 | \$000 | \$000 |
| Credit-impaired assets | | | | |
| Loans and advances | 13,433,524 | (8,853,330) | 4,580,194 | 18,179,781 |
| Total credit-impaired assets | 13,433,524 | (8,853,330) | 4,580,194 | 18,179,781 |

| | The Bank | | | |
|-------------------------------------|-------------------|----------------------|------------------|-------------------------------|
| | 2023 | | | |
| | Gross exposure | Impairment allowance | Carrying amount | Fair value of collateral held |
| | \$000 | \$000 | \$000 | \$000 |
| Credit-impaired assets | | | | |
| Loans and advances | 13,495,757 | (7,630,404) | 5,865,353 | 22,803,397 |
| Total credit-impaired assets | 13,495,757 | (7,630,404) | 5,865,353 | 22,803,397 |

Impairment loss provision methodology

Provisions for impairment losses are assessed under three categories as described below:

Sub-standard, Doubtful or Loss rated loans

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

Individually Significant, Standard and Special Mention loans

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

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

Collectively assessed provisions

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

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

39. Financial Risk Management (Continued)

(a) Credit risk (continued)

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

| | The Group | | | |
|-----------------|--------------------|-----------------------------------|--------------------|-----------------------------------|
| | 2024 | | 2023 | |
| | Loans \$'000 | Impairment provision \$'000 | Loans \$'000 | Impairment provision \$'000 |
| Standard | 436,993,402 | 2,398,165 | 445,845,233 | 2,546,741 |
| Special Mention | 10,228,638 | 191,062 | 12,487,737 | 16,727 |
| Sub-Standard | 16,983,089 | 86,747 | 1,424,465 | 68,889 |
| Loss | 14,669,868 | 9,394,917 | 14,888,396 | 7,865,637 |
| | <u>478,874,997</u> | <u>12,070,891</u> | <u>474,645,831</u> | <u>10,497,994</u> |

| | The Bank | | | |
|-----------------|--------------------|-----------------------------------|--------------------|-----------------------------------|
| | 2024 | | 2023 | |
| | Loans \$'000 | Impairment provision \$'000 | Loans \$'000 | Impairment provision \$'000 |
| Standard | 426,682,679 | 2,362,716 | 429,468,185 | 2,512,864 |
| Special Mention | 10,228,638 | 191,062 | 12,487,737 | 16,727 |
| Sub-Standard | 16,519,854 | 32,216 | 1,045,213 | 25,936 |
| Loss | 13,433,524 | 8,853,330 | 13,493,800 | 7,630,404 |
| | <u>466,864,695</u> | <u>11,439,324</u> | <u>456,494,935</u> | <u>10,185,931</u> |

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

39. Financial Risk Management (Continued)

(a) Credit risk (continued)

The credit quality of loans is summarised as follows:

| | The Group | | The Bank | |
|-----------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2024 | 2023 | 2024 | 2023 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Unimpaired | 464,205,129 | 459,757,435 | 453,431,171 | 443,001,135 |
| Impaired | 14,669,868 | 14,888,396 | 13,433,524 | 13,493,800 |
| Gross | <u>478,874,997</u> | <u>474,645,831</u> | <u>466,864,695</u> | <u>456,494,935</u> |
| Less: provision for credit losses | (12,070,891) | (10,497,994) | (11,439,324) | (10,185,931) |
| Net | <u>466,804,106</u> | <u>464,147,837</u> | <u>455,425,371</u> | <u>446,309,004</u> |

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

| | The Group | | The Bank | |
|----------------------|-------------------|--------------------|-------------------|--------------------|
| | 2024 | 2023 | 2024 | 2023 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Less than 30 days | 67,177,607 | 130,513,410 | 57,182,945 | 113,757,110 |
| 31 to 60 days | 9,978,837 | 6,990,505 | 9,942,174 | 5,595,909 |
| 61 to 90 days | 5,256,921 | 2,624,919 | 5,248,481 | 2,624,919 |
| Greater than 90 days | 1,259,879 | 10,449 | 21,268 | 10,449 |
| | <u>83,673,244</u> | <u>140,139,283</u> | <u>72,394,868</u> | <u>121,988,387</u> |

Of the aggregate amount of gross past due unimpaired loans, \$71,543,104,000 was secured as at September 30, 2024 (2023 – \$107,345,910,000).

Restructured loans

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

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

39. Financial Risk Management (Continued)

(a) Credit risk (continued)

Restructured loans (continued)

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

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

Credit risk exposure

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

| | The Group | | The Bank | |
|---|----------------------|----------------------|--------------------|--------------------|
| | 2024 \$'000 | 2023 \$'000 | 2024 \$'000 | 2023 \$'000 |
| Credit risk exposures relating to on-statement of financial position assets: | | | | |
| Balances with Central Banks | 50,012,699 | 48,901,845 | 50,012,699 | 47,472,404 |
| Due from other banks | 41,887,042 | 47,468,897 | 29,581,681 | 37,363,657 |
| Reverse repurchase agreements | 2,963,754 | 5,024,804 | - | - |
| Loans and advances, net of provision for credit losses | 467,468,958 | 465,296,454 | 455,961,397 | 447,196,844 |
| Investment securities | 536,625,429 | 537,377,841 | 275,732,210 | 265,698,418 |
| Letters of credit and undertaking | 4,337,120 | 5,179,547 | 4,337,120 | 5,179,547 |
| Other assets | 37,688,443 | 23,610,223 | 35,211,861 | 24,570,335 |
| | <u>1,140,983,445</u> | <u>1,132,859,611</u> | <u>850,836,968</u> | <u>827,481,205</u> |
| Credit risk exposures relating to off-statement of financial position items: | | | | |
| Credit commitments | 68,712,454 | 77,055,201 | 68,712,454 | 77,055,201 |
| Acceptances, guarantees and indemnities | 15,162,011 | 12,860,440 | 7,760,395 | 7,663,577 |
| | <u>83,874,465</u> | <u>89,915,641</u> | <u>76,472,849</u> | <u>84,718,778</u> |

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

39. Financial Risk Management (Continued)

(a) Credit risk (continued)

Credit exposures

(i) Loans

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

| | The Group | | The Bank | |
|--|---------------------|---------------------|---------------------|---------------------|
| | 2024 \$'000 | 2023 \$'000 | 2024 \$'000 | 2023 \$'000 |
| Agriculture | 4,863,611 | 6,145,978 | 4,863,611 | 6,145,978 |
| Public Sector | 6,507,444 | 11,082,233 | 817,600 | 967,977 |
| Construction and land development | 10,270,048 | 10,557,167 | 8,700,192 | 9,056,778 |
| Other financial institutions | 12,212,016 | 11,623,043 | 12,094,181 | 11,550,026 |
| Distribution | 61,106,852 | 62,613,610 | 60,365,295 | 60,785,693 |
| Electricity, water & gas | 7,706,666 | 9,397,650 | 6,768,756 | 8,234,595 |
| Entertainment | 1,390,069 | 550,456 | 1,390,069 | 550,456 |
| Manufacturing | 8,290,598 | 8,373,425 | 8,290,598 | 8,326,270 |
| Mining and processing | 53,514 | 70,185 | 13,413 | 28,777 |
| Personal | 236,899,704 | 220,003,588 | 236,009,344 | 219,025,978 |
| Professional and other services | 37,034,356 | 32,159,175 | 36,409,245 | 31,580,058 |
| Tourism | 58,177,179 | 60,991,825 | 56,806,479 | 59,175,352 |
| Transportation storage and communication | 1,644,822 | 1,822,911 | 1,617,793 | 1,812,413 |
| Overseas residents | 32,718,118 | 39,254,585 | 32,718,119 | 39,254,584 |
| Total | <u>478,874,997</u> | <u>474,645,831</u> | <u>466,864,695</u> | <u>456,494,935</u> |
| Expected credit losses (ECL) | <u>(12,070,891)</u> | <u>(10,497,994)</u> | <u>(11,439,324)</u> | <u>(10,185,931)</u> |
| | <u>466,804,106</u> | <u>464,147,837</u> | <u>455,425,371</u> | <u>446,309,004</u> |
| Interest receivable | 664,852 | 1,148,617 | 536,026 | 887,840 |
| Net | <u>467,468,958</u> | <u>465,296,454</u> | <u>455,961,397</u> | <u>447,196,844</u> |

(ii) Debt securities

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

| | The Group | | The Bank | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 2024 \$'000 | 2023 \$'000 | 2024 \$'000 | 2023 \$'000 |
| Government of Jamaica and Bank of Jamaica | 302,555,048 | 331,997,381 | 175,874,198 | 198,204,173 |
| Corporate bonds | 65,630,525 | 76,541,001 | 7,940,126 | 9,222,154 |
| Foreign governments | 151,362,350 | 103,828,111 | 88,502,244 | 54,971,982 |
| | <u>519,547,923</u> | <u>512,366,493</u> | <u>272,316,568</u> | <u>262,398,309</u> |
| Interest receivable | 6,557,750 | 6,621,091 | 3,463,013 | 3,367,415 |
| ECL | <u>(66,060)</u> | <u>(85,814)</u> | <u>(65,626)</u> | <u>(85,561)</u> |
| | <u>526,039,613</u> | <u>518,901,770</u> | <u>275,713,955</u> | <u>265,680,163</u> |

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

39. Financial Risk Management (Continued)

(a) Credit risk (continued)

Maximum exposure to credit risk

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

| | The Group | | | | |
|-------------------------------|----------------------------|----------------------------|----------------------------|----------------------------------|-------------|
| | 2024 | | | | |
| | ECL staging | | | | |
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Purchased credit- impaired | Total |
| | \$000 | \$000 | \$000 | \$000 | \$000 |
| DEBT SECURITIES | | | | | |
| Risk rating | | | | | |
| Low | 177,056,624 | - | - | - | 177,056,624 |
| Medium | 343,066,429 | 2,968,219 | - | - | 346,034,648 |
| High | 1,048,420 | 339,689 | - | - | 1,388,109 |
| Gross carrying amount | 521,171,473 | 3,307,908 | - | - | 524,479,381 |
| Loss allowance amortised cost | (27,915) | (38,145) | - | - | (66,060) |
| | 521,143,558 | 3,269,763 | - | - | 524,413,321 |

| | The Group | | | | |
|-------------------------------|----------------------------|----------------------------|----------------------------|----------------------------------|-------------|
| | 2023 | | | | |
| | ECL staging | | | | |
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Purchased credit- impaired | Total |
| | \$000 | \$000 | \$000 | \$000 | \$000 |
| DEBT SECURITIES | | | | | |
| Risk rating | | | | | |
| Low | 142,795,258 | - | - | - | 142,795,258 |
| Medium | 367,109,509 | 4,946,421 | - | - | 372,055,930 |
| High | 1,128,121 | 520,589 | - | - | 1,648,710 |
| Gross carrying amount | 511,032,888 | 5,467,010 | - | - | 516,499,898 |
| Loss allowance amortised cost | (25,653) | (60,161) | - | - | (85,814) |
| | 511,007,235 | 5,406,849 | - | - | 516,414,084 |

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

39. Financial Risk Management (Continued)

(a) Credit risk (continued)

Maximum exposure to credit risk (continued)

| | The Group | | | | |
|------------------------------|----------------------------|----------------------------|----------------------------|----------------------------------|--------------|
| | ECL staging | | | | |
| | 2024 | | | | |
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Purchased credit- impaired | Total |
| | \$000 | \$000 | \$000 | \$000 | \$000 |
| LOANS AND ADVANCES | | | | | |
| Risk rating | | | | | |
| Low | 232,059,313 | 2,942,330 | 265,131 | - | 235,266,774 |
| Medium | 138,042,941 | 2,001,867 | - | - | 140,044,808 |
| High | 85,850,770 | 3,042,777 | - | - | 88,893,547 |
| Default | - | - | 14,669,868 | - | 14,669,868 |
| Gross carrying amount | 455,953,024 | 7,986,974 | 14,934,999 | - | 478,874,997 |
| Loss allowance | (2,342,450) | (278,994) | (9,449,447) | - | (12,070,891) |
| Carrying amount | 453,610,574 | 7,707,980 | 5,485,552 | - | 466,804,106 |

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

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

39. Financial Risk Management (Continued)

(a) Credit risk (continued)

Maximum exposure to credit risk (continued)

| | The Group | | | | |
|--|----------------------------|----------------------------|----------------------------|----------------------------------|--------------|
| | 2024 | | | | |
| | ECL staging | | | | |
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Purchased credit- impaired | Total |
| DUE FROM BANKS and OTHER ASSETS | \$000 | \$000 | \$000 | \$000 | \$000 |
| Risk rating | | | | | |
| Low | 81,104,779 | - | - | - | 81,104,779 |
| Gross carrying amount | 81,104,779 | - | - | - | 81,104,779 |
| Loss allowance | - | - | - | - | - |
| Carrying amount | 81,104,779 | - | - | - | 81,104,779 |
| | The Group | | | | |
| | 2023 | | | | |
| | ECL staging | | | | |
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Purchased credit- impaired | Total |
| DUE FROM BANKS and OTHER ASSETS | \$000 | \$000 | \$000 | \$000 | \$000 |
| Risk rating | | | | | |
| Low | 71,079,120 | - | - | - | 71,079,120 |
| Gross carrying amount | 71,079,120 | - | - | - | 71,079,120 |
| Loss allowance | (668) | - | - | - | (668) |
| Carrying amount | 71,078,452 | - | - | - | 71,078,452 |

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

39. Financial Risk Management (Continued)

(a) Credit risk (continued)

| | The Bank | | | | |
|-------------------------------|----------------------------|----------------------------|----------------------------|----------------------------------|--------------|
| | 2024 | | | | |
| | ECL staging | | | | |
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Purchased credit- impaired | Total |
| DEBT SECURITIES | \$000 | \$000 | \$000 | \$000 | \$000 |
| Risk rating | | | | | |
| Low | 88,003,737 | - | - | - | 88,003,737 |
| Medium | 185,867,399 | 1,908,445 | - | - | 187,775,844 |
| Gross carrying amount | 273,871,136 | 1,908,445 | - | - | 275,779,581 |
| Loss allowance amortised cost | (27,481) | (38,145) | - | - | (65,626) |
| | 273,843,655 | 1,870,300 | - | - | 275,713,955 |
| | The Bank | | | | |
| | 2023 | | | | |
| | ECL staging | | | | |
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Purchased credit- impaired | Total |
| DEBT SECURITIES | \$000 | \$000 | \$000 | \$000 | \$000 |
| Risk rating | | | | | |
| Low | 54,694,973 | - | - | - | 54,694,973 |
| Medium | 208,059,603 | 3,011,148 | - | - | 211,070,751 |
| Gross carrying amount | 262,754,576 | 3,011,148 | - | - | 265,765,724 |
| Loss allowance amortised cost | (25,396) | (60,165) | - | - | (85,561) |
| | 262,729,180 | 2,950,983 | - | - | 265,680,163 |

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

39. Financial Risk Management (Continued)

(a) Credit risk (continued)

Maximum exposure to credit risk (continued)

| | The Bank | | | | |
|------------------------------|----------------------------|-------------------------|----------------------------|----------------------------------|--------------|
| | ECL staging | | | | |
| | 2024 | | | | |
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Purchased credit- impaired | Total |
| \$000 | \$000 | \$000 | \$000 | \$000 | |
| LOANS AND ADVANCES | | | | | |
| Risk rating | | | | | |
| Low | 222,064,167 | 2,895,444 | - | - | 224,959,611 |
| Medium | 137,576,146 | 2,001,867 | - | - | 139,578,013 |
| High | 85,850,770 | 3,042,777 | - | - | 88,893,547 |
| Default | - | - | 13,433,524 | - | 13,433,524 |
| Gross carrying amount | 445,491,083 | 7,940,088 | 13,433,524 | - | 466,864,695 |
| Loss allowance | (2,307,405) | (278,589) | (8,853,330) | - | (11,439,324) |
| Carrying amount | 443,183,678 | 7,661,499 | 4,580,194 | - | 455,425,371 |
| | | | | | |
| | The Bank | | | | |
| | ECL staging | | | | |
| | 2023 | | | | |
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Purchased credit- impaired | Total |
| \$000 | \$000 | \$000 | \$000 | \$000 | |
| LOANS AND ADVANCES | | | | | |
| Risk rating | | | | | |
| Low | 351,933,780 | 8,276,979 | - | - | 360,210,759 |
| Medium | 79,861,406 | 1,883,757 | - | - | 81,745,163 |
| High | 987,512 | 57,701 | - | - | 1,045,213 |
| Default | - | - | 13,493,800 | - | 13,493,800 |
| Gross carrying amount | 432,782,698 | 10,218,437 | 13,493,800 | - | 456,494,935 |
| Loss allowance | (2,325,090) | (230,437) | (7,630,404) | - | (10,185,931) |
| Carrying amount | 430,457,608 | 9,988,000 | 5,863,396 | - | 446,309,004 |

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

39. Financial Risk Management (Continued)

(a) Credit risk (continued)

Maximum exposure to credit risk (continued)

| | The Bank | | | | |
|---|----------------------------|----------------------------|----------------------------|----------------------------------|------------|
| | 2024 | | | | |
| | ECL staging | | | | |
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Purchased credit- impaired | Total |
| \$000 | \$000 | \$000 | \$000 | \$000 | |
| DUE FROM BANKS, and OTHER ASSETS | | | | | |
| Risk rating | | | | | |
| Low | 66,099,881 | - | - | - | 66,099,881 |
| Gross carrying amount | 66,099,881 | - | - | - | 66,099,881 |
| Loss allowance | - | - | - | - | - |
| Carrying amount | 66,099,881 | - | - | - | 66,099,881 |
| | | | | | |
| | The Bank | | | | |
| | 2023 | | | | |
| | ECL staging | | | | |
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Purchased credit- impaired | Total |
| \$000 | \$000 | \$000 | \$000 | \$000 | |
| DUE FROM BANKS, and OTHER ASSETS | | | | | |
| Risk rating | | | | | |
| Low | 61,933,991 | - | - | - | 61,933,991 |
| Gross carrying amount | 61,933,991 | - | - | - | 61,933,991 |
| Loss allowance | (668) | - | - | - | (668) |
| Carrying amount | 61,933,323 | - | - | - | 61,933,323 |

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

39. Financial Risk Management (Continued)

(a) Credit risk (continued)

Maximum exposure to credit risk (continued)

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

| | The Group | | | | |
|------------------------|----------------------------|----------------------------|----------------------------|----------------------------------|----------------|
| | 2024 | | | | |
| | ECL staging | | | | |
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Purchased credit- impaired | Total |
| | \$000 | \$000 | \$000 | \$000 | \$000 |
| DEBT SECURITIES | | | | | |
| Risk rating | | | | | |
| Low | 32,756 | - | - | - | 32,756 |
| Medium | 331,899 | 83,008 | - | - | 414,907 |
| High | 190,183 | 24,938 | - | - | 215,121 |
| Default | - | - | - | - | - |
| Loss allowance | 554,838 | 107,946 | - | - | 662,784 |

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

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

39. Financial Risk Management (Continued)

(a) Credit risk (continued)

Maximum exposure to credit risk (continued)

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

| | The Group | | | | |
|---------------------------|----------------------------|----------------------------|----------------------------|----------------------------------|-------------------|
| | 2024 | | | | |
| | ECL staging | | | | |
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Purchased credit- impaired | Total |
| | \$000 | \$000 | \$000 | \$000 | \$000 |
| LOANS AND ADVANCES | | | | | |
| Risk rating | | | | | |
| Low | 1,405,957 | 174,718 | 54,530 | - | 1,635,205 |
| Medium | 531,971 | 59,930 | - | - | 591,901 |
| High | 404,522 | 44,346 | - | - | 448,868 |
| Default | - | - | 9,394,917 | - | 9,394,917 |
| Loss allowance | 2,342,450 | 278,994 | 9,449,447 | - | 12,070,891 |

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

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

39. Financial Risk Management (Continued)

(a) Credit risk (continued)

Maximum exposure to credit risk (continued)

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

| | The Group | | | | |
|--|----------------------------|----------------------------|----------------------------|----------------------------------|-------|
| | 2024 | | | | |
| | ECL staging | | | | |
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Purchased credit- impaired | Total |
| DUE FROM BANKS AND OTHER ASSETS | \$000 | \$000 | \$000 | \$000 | \$000 |
| Risk rating | | | | | |
| Low | - | - | - | - | - |
| Loss allowance | - | - | - | - | - |

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

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

39. Financial Risk Management (Continued)

(a) Credit risk (continued)

Maximum exposure to credit risk (continued)

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

| | The Bank | | | | |
|------------------------|----------------------------|----------------------------|----------------------------|----------------------------------|--------|
| | 2024 | | | | |
| | ECL staging | | | | |
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Purchased credit- impaired | Total |
| DEBT SECURITIES | \$000 | \$000 | \$000 | \$000 | \$000 |
| Risk rating | | | | | |
| Low | 2,921 | - | - | - | 2,921 |
| Medium | 42,041 | 41,525 | - | - | 83,566 |
| Loss allowance | 44,962 | 41,525 | - | - | 86,487 |

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

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

39. Financial Risk Management (Continued)

(a) Credit risk (continued)

Maximum exposure to credit risk (continued)

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

| | The Bank | | | | |
|---------------------------|----------------------------|----------------------------|----------------------------|----------------------------------|-------------------|
| | 2024 | | | | |
| | ECL staging | | | | |
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Purchased credit- impaired | Total |
| | \$000 | \$000 | \$000 | \$000 | \$000 |
| LOANS AND ADVANCES | | | | | |
| Risk rating | | | | | |
| Low | 1,377,637 | 174,313 | - | - | 1,551,950 |
| Medium | 525,246 | 59,930 | - | - | 585,176 |
| High | 404,522 | 44,346 | - | - | 448,868 |
| Default | - | - | 8,853,330 | - | 8,853,330 |
| Loss allowance | 2,307,405 | 278,589 | 8,853,330 | - | 11,439,324 |

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

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

39. Financial Risk Management (Continued)

(a) Credit risk (continued)

Maximum exposure to credit risk (continued)

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

Loss allowance

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

| | The Group | | | | |
|---|----------------------------|----------------------------|----------------------------|----------------------------------|----------------|
| | 2024 | | | | |
| | ECL staging | | | | |
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Purchased credit- impaired | Total |
| | \$000 | \$000 | \$000 | \$000 | \$000 |
| DEBT SECURITIES | | | | | |
| Loss allowance as at October 1, 2023 | 555,215 | 227,092 | - | - | 782,307 |
| Transfers: | | | | | |
| Transfer from Stage 1 to Stage 2 | (2,675) | 2,675 | - | - | - |
| New financial assets originated or purchased | 47,964 | (19,082) | - | - | 28,882 |
| Financial assets derecognised during the period | (82,836) | (31,743) | - | - | (114,579) |
| Changes to principal | (49,679) | - | - | - | (49,679) |
| Changes to inputs to the ECL model | 82,191 | (63,358) | - | - | 18,833 |
| Foreign exchange movement | 4,658 | (7,638) | - | - | (2,980) |
| Loss allowance as at September 30, 2024 | 554,838 | 107,946 | - | - | 662,784 |

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

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

39. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loss allowance (continued)

| | The Group | | | | |
|--|----------------------------|----------------------------|----------------------------------|--------------|-------------------|
| | 2024 | | | | |
| | ECL staging | | | | Total |
| Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Purchased credit- impaired | \$000 | |
| LOANS AND ADVANCES | \$000 | \$000 | \$000 | \$000 | \$000 |
| Loss allowance as at October 1, 2023 | 2,358,351 | 231,053 | 7,908,590 | - | 10,497,994 |
| Transfers: | | | | | |
| Transfer from Stage 1 to Stage 2 | (57,246) | 57,246 | - | - | - |
| Transfer from Stage 1 to Stage 3 | (52,495) | - | 52,495 | - | - |
| Transfer from Stage 2 to Stage 3 | - | (49,973) | 49,973 | - | - |
| Transfer from Stage 2 to Stage 1 | 65,895 | (65,895) | - | - | - |
| New financial assets originated or purchased | 606,056 | 49,665 | 757,026 | - | 1,412,747 |
| Financial assets derecognised | (164,666) | (5,449) | (2,792,480) | - | (2,962,595) |
| Write offs | - | - | (1,894,170) | - | (1,894,170) |
| Changes to principal | (157,965) | 80,466 | (1,970) | - | (79,469) |
| Changes to input to ECL model | (253,361) | (18,180) | 5,293,549 | - | 5,022,008 |
| Foreign exchange changes | (2,119) | 61 | 76,434 | - | 74,376 |
| Loss allowance as at September 30, 2024 | 2,342,450 | 278,994 | 9,449,447 | - | 12,070,891 |

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

39. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loss allowance (continued)

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

| | The Group | | | | |
|--|----------------------------|----------------------------|----------------------------------|--------------|--------------|
| | 2024 | | | | |
| | ECL staging | | | | Total |
| Stage 1 12- month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Purchased credit- impaired | \$000 | |
| DUE FROM BANKS and OTHER ASSETS | \$000 | \$000 | \$000 | \$000 | \$000 |
| Loss allowance as at October 1, 2023 | 668 | - | - | - | 668 |
| Financial assets derecognised | (668) | - | - | - | (668) |
| Loss allowance as at September 30, 2024 | - | - | - | - | - |

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

39. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loss allowance (continued)

| | The Group | | | | |
|--|----------------------------|----------------------------|----------------------------|----------------------------------|------------|
| | 2023 | | | | |
| | ECL staging | | | | |
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Purchased credit- impaired | Total |
| | \$000 | \$000 | \$000 | \$000 | \$000 |
| DUE FROM BANKS and OTHER ASSETS | | | | | |
| Loss allowance as at October 1, 2022 | 517 | - | - | - | 517 |
| New financial assets originated or purchased | 151 | - | - | - | 151 |
| Loss allowance as at September 30, 2023 | 668 | - | - | - | 668 |
| | The Bank | | | | |
| | 2024 | | | | |
| | ECL staging | | | | |
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Purchased credit- impaired | Total |
| | \$000 | \$000 | \$000 | \$000 | \$000 |

| | | | | | |
|---|---------------|---------------|----------|----------|---------------|
| DEBT SECURITIES | | | | | |
| Loss allowance as at October 1, 2023 | 38,513 | 79,667 | - | - | 118,180 |
| Transfer from Stage 1 to Stage 2 | | | | | |
| New financial assets originated or purchased | 28,141 | (23,853) | - | - | 4,288 |
| Financial assets derecognised during the period | (13,507) | - | - | - | (13,507) |
| Changes to principal | (3,834) | - | - | - | (3,834) |
| Changes to inputs to the ECL model | (4,256) | (14,289) | - | - | (18,545) |
| Foreign exchange changes | (95) | - | - | - | (95) |
| Loss allowance as at September 30, 2024 | 44,962 | 41,525 | - | - | 86,487 |

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

39. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loss allowance (continued)

| | The Bank | | | | |
|---|----------------------------|----------------------------|----------------------------|----------------------------------|----------------|
| | 2023 | | | | |
| | ECL staging | | | | |
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Purchased credit- impaired | Total |
| | \$000 | \$000 | \$000 | \$000 | \$000 |
| DEBT SECURITIES | | | | | |
| Loss allowance as at October 1, 2022 | 533,895 | 68,709 | - | - | 602,604 |
| New financial assets originated or purchased | (53,773) | 53,773 | - | - | - |
| Financial assets derecognised during the period | 2,936 | - | - | - | 2,936 |
| Changes to principal | (39,619) | - | - | - | (39,619) |
| Changes to inputs to the ECL model | (20,794) | - | - | - | (20,794) |
| Foreign exchange movement | (384,132) | (42,815) | - | - | (426,947) |
| Loss allowance as at September 30, 2023 | 38,513 | 79,667 | - | - | 118,180 |
| | The Bank | | | | |
| | 2024 | | | | |
| | ECL staging | | | | |
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Purchased credit- impaired | Total |
| | \$000 | \$000 | \$000 | \$000 | \$000 |

| | | | | | |
|--|------------------|----------------|------------------|----------|-------------------|
| LOANS AND ADVANCES | | | | | |
| Loss allowance as at October 1, 2023 | 2,325,090 | 230,437 | 7,630,404 | - | 10,185,931 |
| Transfers: | | | | | |
| Transfer from Stage 1 to Stage 2 | (57,246) | 57,246 | - | - | - |
| Transfer from Stage 1 to Stage 3 | (52,210) | - | 52,210 | - | - |
| Transfer from Stage 2 to Stage 3 | - | (49,973) | 49,973 | - | - |
| Transfer from Stage 2 to Stage 1 | 65,895 | (65,895) | - | - | - |
| New financial assets originated or purchased | 598,524 | 49,514 | 754,292 | - | 1,402,330 |
| Financial asset derecognised | (150,639) | (5,397) | (2,702,835) | - | (2,858,871) |
| Write offs | - | - | (1,894,170) | - | (1,894,170) |
| Changes to principal | (148,926) | 81,043 | - | - | (67,883) |
| Changes to input to ECL model | (273,083) | (18,386) | 4,963,456 | - | 4,671,987 |
| Loss allowance as at September 30, 2024 | 2,307,405 | 278,589 | 8,853,330 | - | 11,439,324 |

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

39. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loss allowance (continued)

| | The Bank | | | | |
|--|----------------------------|----------------------------|----------------------------|----------------------------------|-------------------|
| | 2024 | | | | |
| | ECL staging | | | | |
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Purchased credit- impaired | Total |
| | \$000 | \$000 | \$000 | \$000 | \$000 |
| LOANS AND ADVANCES | | | | | |
| Loss allowance as at October 1, 2022 | 1,786,417 | 194,972 | 6,940,660 | - | 8,922,049 |
| Transfers: | | | | | |
| Transfer from Stage 1 to Stage 2 | (37,209) | 37,209 | - | - | - |
| Transfer from Stage 1 to Stage 3 | (34,107) | - | 34,107 | - | - |
| Transfer from Stage 2 to Stage 3 | - | (32,684) | 32,684 | - | - |
| Transfer from Stage 2 to Stage 1 | 62,763 | (62,763) | - | - | - |
| Transfer from Stage 3 to Stage 1 | 3,000 | - | (3,000) | - | - |
| Transfer from Stage 3 to Stage 2 | - | 1,182 | (1,182) | - | - |
| New financial assets originated or purchased | 672,072 | 44,831 | 4,724,388 | - | 5,441,291 |
| Financial asset derecognised | (206,754) | (58,793) | (229,566) | - | (495,113) |
| Write offs | - | - | (4,547,362) | - | (4,547,362) |
| Changes to principal | 78,275 | 50,955 | 278,721 | - | 407,951 |
| Changes to input to ECL model | 633 | 55,528 | 400,954 | - | 457,115 |
| Loss allowance as at September 30, 2023 | 2,325,090 | 230,437 | 7,630,404 | - | 10,185,931 |

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

39. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loss allowance (continued)

| | The Bank | | | | |
|--|----------------------------|----------------------------|----------------------------|----------------------------------|------------|
| | 2024 | | | | |
| | ECL staging | | | | |
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Purchased credit- impaired | Total |
| | \$000 | \$000 | \$000 | \$000 | \$000 |
| DUE FROM BANKS and OTHER ASSETS | | | | | |
| Loss allowance as at October 1, 2023 | 668 | - | - | - | 668 |
| Financial assets derecognised | (668) | - | - | - | (668) |
| Loss allowance as at September 30, 2024 | - | - | - | - | - |
| | | | | | |
| | The Bank | | | | |
| | 2023 | | | | |
| | ECL staging | | | | |
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Purchased credit- impaired | Total |
| | \$000 | \$000 | \$000 | \$000 | \$000 |
| DUE FROM BANKS and OTHER ASSETS | | | | | |
| Loss allowance as at October 1, 2022 | 517 | - | - | - | 517 |
| New financial assets originated or purchased | 151 | - | - | - | 151 |
| Loss allowance as at September 30, 2023 | 668 | - | - | - | 668 |

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

39. Financial Risk Management (Continued)

(a) Credit risk (continued)

Economic variable assumptions for exposure – securities

Macroeconomic variables used in the Group's ECL models for securities include, but are not limited to, Global Gross Domestic Product growth, Global Consumer Price Index and interest rates. The impact of these economic variables has been determined by performing statistical analysis to understand that a correlation exists between certain variables. The PDs and LGDs are impacted by long-term changes in the various data sets gathered from external rating agencies (Standard & Poor, Moody's) and the International Monetary Fund. Macroeconomic variable assumptions in the expected credit loss models include Global Gross Domestic Product growth 2.9 (2023: - 2.8) and Global Consumer Price Index 5.8 (2023: 7).

Economic variable assumptions for exposure – loans and advances

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

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

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

39. Financial Risk Management (Continued)

(a) Credit risk (continued)

Sensitivity analysis

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

| Financial Assets | The Group | | Impact |
|------------------------------|------------------|----------------|-----------|
| | 2024 | | |
| | PD Ranges | % Change in PD | Impact |
| | | | \$'000 |
| Debt securities | 0.004% - 5.18% | +/- 30% | 246,797 |
| Loans and advances | 0% - 12.92270 | +/- 30% | 779,524 |
| Repurchase agreements | 0.001% - 0.0162% | +/- 30% | 2,196 |
| Commitment, guarantees & LCs | 0.003% - 2.522% | +/- 30% | 5,996 |
| Total | | | 1,034,513 |
| | | The Group | |
| | | 2023 | |
| | PD Ranges | % Change in PD | Impact |
| | | | \$'000 |
| Debt securities | 0.001% - 0.019% | +/- 30% | 246,797 |
| Loans and advances | 0% - 10.2526% | +/- 30% | 703,613 |
| Repurchase agreements | 0.001% - 0.0159% | +/- 30% | 2,196 |
| Commitment, guarantees & LCs | 0.003% - 2.522% | +/- 30% | 10,312 |
| Total | | | 962,918 |

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

39. Financial Risk Management (Continued)

(a) Credit risk (continued)

Sensitivity analysis

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

| Financial Assets | The Bank | | Impact on ECL |
|------------------------------|-----------------|----------------|----------------|
| | 2024 | | |
| | PD Ranges | % Change in PD | Impact |
| | | | \$'000 |
| Debt securities | 0.004% - 5.18% | +/- 30% | 35,130 |
| Loans and advances | 0% - 12.92270 | +/- 30% | 775,799 |
| Commitment, guarantees & LCs | 0.003% - 2.522% | +/- 30% | 5,996 |
| Total | | | 816,925 |
| | The Bank | | Impact on ECL |
| | 2023 | | |
| | PD Ranges | % Change in PD | Impact |
| | | | \$'000 |
| Debt securities | 0.001% - 0.019% | +/-30% | 35,130 |
| Loans and advances | 0% - 10.2526% | +/-30% | 703,613 |
| Commitment, guarantees & LCs | 0.003% - 2.522% | +/-30% | 10,312 |
| Total | | | 749,055 |

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

39. Financial Risk Management (Continued)

(b) Liquidity risk

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

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

- (i) Oversight by relevant governance committees;
- (ii) Daily management of liquidity by the relevant treasury/investment units;
- (iii) Use of tools to measure the Groups exposures;
- (iv) Establishment and monitoring of limits/benchmarks for maturity mismatches and funding concentrations;
- (v) Diversification of funding sources;
- (vi) Maintenance of committed lines of credits; and
- (vii) Monitoring of adherence to regulatory ratios.

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

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

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

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

39. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Cash flows of financial liabilities

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

| | The Group | | | | | |
|---|-----------------------|----------------------|-----------------------|---------------------|---------------------|----------------------|
| | Within 1 Month \$'000 | 2 to 3 Months \$'000 | 4 to 12 Months \$'000 | 1 to 5 Years \$'000 | Over 5 Years \$'000 | Total \$'000 |
| As at September 30, 2024: | | | | | | |
| Due to other banks | 4,704,282 | 4,089,361 | - | - | - | 8,793,643 |
| Customer deposits | 549,773,593 | 24,533,605 | 30,779,989 | 4,386,977 | - | 609,474,164 |
| Repurchase agreements | 75,003,419 | 82,951,116 | 106,915,206 | 62,367,364 | 14,748,233 | 341,985,338 |
| Obligations under securitisation arrangements | 1,784,144 | 1,744,888 | 10,587,096 | 65,877,899 | 34,978,114 | 114,972,141 |
| Other borrowed funds | 117,960 | 3,559,212 | 3,209,349 | 26,185,487 | 14,913,460 | 47,985,468 |
| Derivative financial instruments | - | - | - | - | - | - |
| Lease Liabilities | 155,572 | 146,320 | 582,088 | 1,874,646 | 59,383 | 2,818,009 |
| Other | 32,075,428 | - | - | - | - | 32,075,428 |
| Total financial liabilities (contractual maturity dates) | 663,614,398 | 117,024,502 | 152,073,728 | 160,692,373 | 64,699,190 | 1,158,104,191 |
| Total financial liabilities (expected maturity dates) | 117,971,305 | 100,751,897 | 158,468,239 | 205,871,396 | 575,041,354 | 1,158,104,191 |
| Total financial assets (expected maturity dates) | 212,954,974 | 34,663,050 | 115,002,629 | 557,504,072 | 639,817,758 | 1,559,942,483 |
| | | | | | | |
| | The Group | | | | | |
| | Within 1 Month \$'000 | 2 to 3 Months \$'000 | 4 to 12 Months \$'000 | 1 to 5 Years \$'000 | Over 5 Years \$'000 | Total \$'000 |
| As at September 30, 2023: | | | | | | |
| Due to other banks | 12,841,547 | 78,781 | 8,227,904 | - | - | 21,148,232 |
| Customer deposits | 520,405,263 | 38,763,547 | 8,061,871 | 4,660,039 | 532,841 | 572,423,561 |
| Repurchase agreements | 73,035,880 | 74,075,347 | 93,065,117 | 35,307,974 | 21,490,323 | 296,974,641 |
| Obligations under securitisation arrangements | 1,749,749 | 507,846 | 10,382,998 | 63,158,037 | 49,597,667 | 125,396,297 |
| Other borrowed funds | 3,472,199 | 619,067 | 12,165,761 | 13,684,025 | 19,392,227 | 49,333,279 |
| Derivative financial instruments | 9,192 | - | - | - | - | 9,192 |
| Lease Liabilities | 77,624 | 263,644 | 654,158 | 1,944,307 | 110,792 | 3,050,525 |
| Other | 27,318,043 | - | - | - | - | 27,318,043 |
| Total financial liabilities (contractual maturity dates) | 638,909,497 | 114,308,232 | 132,557,809 | 118,754,382 | 91,123,850 | 1,095,653,770 |
| Total financial liabilities (expected maturity dates) | 143,214,923 | 117,674,306 | 178,939,048 | 190,294,921 | 483,455,629 | 1,113,578,827 |
| Total financial assets (expected maturity dates) | 227,584,535 | 37,248,475 | 96,183,053 | 500,024,476 | 765,788,832 | 1,626,829,371 |

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

39. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Cash flows of financial liabilities (continued)

| | The Bank | | | | | |
|---|-----------------------|----------------------|-----------------------|---------------------|---------------------|----------------------|
| | Within 1 Month \$'000 | 2 to 3 Months \$'000 | 4 to 12 Months \$'000 | 1 to 5 Years \$'000 | Over 5 Years \$'000 | Total \$'000 |
| As at September 30, 2024: | | | | | | |
| Due to other banks | 6,369,909 | 4,089,361 | - | - | - | 10,459,270 |
| Customer deposits | 542,459,994 | 19,137,011 | 9,167,158 | 142,586 | - | 570,906,749 |
| Repurchase agreements | 11,491,142 | 10,023,301 | 19,199,658 | 62,167,747 | 14,748,233 | 117,630,081 |
| Obligations under securitisation arrangements | 1,784,144 | 1,744,888 | 10,587,096 | 65,877,899 | 34,978,114 | 114,972,141 |
| Other borrowed funds | 42,869 | 348,662 | 636,683 | 7,059,768 | 14,913,460 | 23,001,442 |
| Lease Liabilities | 71,877 | 139,975 | 480,291 | 1,863,539 | 59,383 | 2,615,065 |
| Other | 23,369,536 | - | - | - | - | 23,369,536 |
| Total financial liabilities (contractual maturity dates) | 585,589,471 | 35,483,198 | 40,070,886 | 137,111,539 | 64,699,190 | 862,954,284 |
| Total financial liabilities (expected maturity dates) | 43,133,608 | 16,354,448 | 31,036,499 | 137,018,519 | 635,411,210 | 862,954,284 |
| Total financial assets (expected maturity dates) | 191,865,252 | 26,132,100 | 83,409,060 | 424,298,372 | 513,531,961 | 1,239,236,745 |
| | | | | | | |
| | The Bank | | | | | |
| | Within 1 Month \$'000 | 2 to 3 Months \$'000 | 4 to 12 Months \$'000 | 1 to 5 Years \$'000 | Over 5 Years \$'000 | Total \$'000 |
| As at September 30, 2023: | | | | | | |
| Due to other banks | 12,841,547 | 78,781 | 8,227,904 | - | - | 21,148,232 |
| Customer deposits | 516,561,924 | 8,592,226 | 7,431,112 | 209,262 | 552 | 532,795,076 |
| Repurchase agreements | 17,078,082 | 1,459,378 | 23,587,128 | 34,978,679 | 21,287,613 | 98,390,880 |
| Obligations under securitisation arrangements | 1,749,749 | 507,846 | 10,382,998 | 63,158,037 | 49,597,667 | 125,396,297 |
| Other borrowed funds | 89,617 | 329,715 | 600,558 | 4,222,139 | 19,392,227 | 24,634,256 |
| Lease Liabilities | 74,466 | 144,902 | 629,666 | 1,933,274 | 110,792 | 2,893,100 |
| Other | 18,168,638 | - | - | - | - | 18,168,638 |
| Total financial liabilities (contractual maturity dates) | 566,564,023 | 11,112,848 | 50,859,366 | 104,501,391 | 90,388,851 | 823,426,479 |
| Total financial liabilities (expected maturity dates) | 63,183,679 | 14,478,922 | 97,240,605 | 176,041,930 | 482,720,630 | 833,665,766 |
| Total financial assets (expected maturity dates) | 185,330,690 | 23,618,115 | 59,316,105 | 356,920,616 | 586,052,906 | 1,211,238,432 |

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

39. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Cash flows of financial liabilities (continued)

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

Off-statement of financial position items

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

| | The Group | | | |
|--|-----------------------------|---------------------|---------------------|-------------------|
| | No later than 1 year \$'000 | 1 to 5 years \$'000 | Over 5 years \$'000 | Total \$'000 |
| At September 30, 2024 | | | | |
| Credit commitments | 68,709,336 | 300 | 2,816 | 68,712,452 |
| Guarantees, acceptances and other financial facilities | 11,438,317 | 1,265,073 | 2,458,621 | 15,162,011 |
| Capital commitments | 4,914,516 | - | - | 4,914,516 |
| | <u>85,062,169</u> | <u>1,265,373</u> | <u>2,461,437</u> | <u>88,788,979</u> |
| At September 30, 2023 | | | | |
| Credit commitments | 77,051,039 | 4,162 | - | 77,055,201 |
| Guarantees, acceptances and other financial facilities | 9,374,525 | 636,578 | 2,849,337 | 12,860,440 |
| Capital commitments | 9,080,269 | - | - | 9,080,269 |
| | <u>95,505,833</u> | <u>640,740</u> | <u>2,849,337</u> | <u>98,995,910</u> |
| | | | | |
| | The Bank | | | |
| | No later than 1 year \$'000 | 1 to 5 years \$'000 | Over 5 years \$'000 | Total \$'000 |
| At September 30, 2024 | | | | |
| Credit commitments | 68,709,338 | 300 | 2,816 | 68,712,454 |
| Guarantees, acceptances and other financial facilities | 4,036,701 | 1,265,073 | 2,458,621 | 7,760,395 |
| Capital commitments | 4,914,516 | - | - | 4,914,516 |
| | <u>77,660,555</u> | <u>1,265,373</u> | <u>2,461,437</u> | <u>81,387,365</u> |
| At September 30, 2023 | | | | |
| Credit commitments | 77,051,039 | 4,162 | - | 77,055,201 |
| Guarantees, acceptances and other financial facilities | 4,177,662 | 636,578 | 2,849,337 | 7,663,577 |
| Capital commitments | 9,080,269 | - | - | 9,080,269 |
| | <u>90,308,970</u> | <u>640,740</u> | <u>2,849,337</u> | <u>93,799,047</u> |

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

39. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Cash flows of financial liabilities (continued)

Capital commitments are in relation to approved expenditures for property, plant, equipment and computer software that were unused as at the end of the respective financial years either because they relate to work in progress or are awaiting the start of the project. Of the total capital commitments, planned expenditure valuing \$622,286,000 (2023 – \$3,455,195,000) for the Group has already been contracted.

(c) Market risk

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

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

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

(i) Currency risk

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

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

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

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

39. Financial Risk Management (Continued)

(c) Market risk (continued)

| | The Group | | | | | |
|---|-----------------|----------------|-----------------|-----------------|-----------------|-----------------|
| | JMD\$ \$'000 | US\$ \$'000 | GBP\$ \$'000 | CAN\$ \$'000 | Other \$'000 | Total \$'000 |
| September 30, 2024 | | | | | | |
| Assets | | | | | | |
| Cash in hand and balances at Central Banks | 61,639,497 | 27,238,418 | 2,104,023 | 511,426 | 1,340,044 | 92,833,408 |
| Due from other banks | 20,070,550 | 4,306,649 | 6,383,287 | 1,216,434 | 9,910,122 | 41,887,042 |
| Reverse repurchase agreements | 2,231,672 | 732,082 | - | - | - | 2,963,754 |
| Loans and advances, net of provision for credit losses | 366,699,244 | 94,100,276 | - | - | 6,669,438 | 467,468,958 |
| Investment securities | 164,549,839 | 326,845,631 | 5,199,203 | 1,389,345 | 38,641,411 | 536,625,429 |
| Derivative financial instruments | 26,662 | 3,302 | - | - | - | 29,964 |
| Other | 25,871,992 | 11,354,769 | 38,427 | 32,897 | 413,016 | 37,711,101 |
| Total financial assets | 641,089,456 | 464,581,127 | 13,724,940 | 3,150,102 | 56,974,031 | 1,179,519,656 |
| Liabilities | | | | | | |
| Due to other banks | 1,339,696 | 7,034,486 | 282,243 | 58,823 | 49,017 | 8,764,265 |
| Customer deposits | 367,724,487 | 196,015,051 | 12,929,935 | 3,174,799 | 17,547,941 | 597,392,213 |
| Repurchase agreements | 134,843,824 | 156,568,831 | - | - | 5,132,928 | 296,545,583 |
| Obligations under securitisation arrangements | - | 93,762,408 | - | - | - | 93,762,408 |
| Other borrowed funds | 23,195,255 | 14,481,956 | - | - | 2,319,428 | 39,996,639 |
| Lease Liabilities | 1,264,502 | 458,721 | - | - | 24,339 | 1,747,562 |
| Other | 21,467,588 | 9,687,096 | 63,141 | 60,253 | 797,350 | 32,075,428 |
| Total financial liabilities | 549,835,352 | 478,008,549 | 13,275,319 | 3,293,875 | 25,871,003 | 1,070,284,098 |
| Net position on- statement of financial position | 91,254,104 | (13,427,422) | 449,621 | (143,773) | 31,103,028 | 109,235,558 |
| Guarantees, acceptances and other financial facilities | 6,003,530 | 9,088,326 | - | - | - | 15,162,011 |
| Credit commitments | 54,854,878 | 13,857,574 | - | - | 70,155 | 68,712,452 |

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

39. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

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

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

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

39. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

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

| | The Bank | | | | | |
|---|--------------------|---------------------|-------------------|------------------|------------------|--------------------|
| | J\$ | US\$ | GBP | CAN\$ | Other | Total |
| September 30, 2024 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Assets | | | | | | |
| Cash in hand and balances at Central Bank | 61,533,023 | 27,174,946 | 2,104,023 | 511,426 | 58,127 | 91,381,545 |
| Due from other banks | 17,352,283 | 1,093,181 | 5,883,108 | 1,359,034 | 3,894,075 | 29,581,681 |
| Loans and advances, net of provision for credit losses | 366,239,174 | 89,722,223 | - | - | - | 455,961,397 |
| Derivative financial instruments | 26,662 | 3,302 | - | - | - | 29,964 |
| Investment Securities | 73,234,162 | 195,136,163 | 5,199,203 | 1,389,345 | 773,337 | 275,732,210 |
| Other | 26,449,732 | 8,655,428 | 38,427 | 32,897 | 35,377 | 35,211,861 |
| Total financial assets | 544,835,036 | 321,785,243 | 13,224,761 | 3,292,702 | 4,760,916 | 887,898,658 |
| Liabilities | | | | | | |
| Due to other banks | 1,342,832 | 8,408,021 | 514,610 | 60,312 | 84,025 | 10,409,800 |
| Customer deposits | 376,171,651 | 175,823,866 | 12,624,862 | 3,252,326 | 1,256,746 | 569,129,451 |
| Repurchase agreements | 43,427,092 | 55,941,184 | - | - | - | 99,368,276 |
| Obligations under securitisation arrangements | - | 93,762,408 | - | - | - | 93,762,408 |
| Other borrowed funds | 15,284,387 | 2,946,282 | - | - | - | 18,230,669 |
| Lease Liabilities | 1,280,723 | 359,492 | - | - | - | 1,640,215 |
| Other | 16,449,525 | 6,874,741 | 5,881 | 9,990 | 29,399 | 23,369,536 |
| Total financial liabilities | 453,956,210 | 344,115,994 | 13,145,353 | 3,322,628 | 1,370,170 | 815,910,355 |
| Net position on- statement of financial position | 90,878,826 | (22,330,751) | 79,408 | (29,926) | 3,390,746 | 71,988,303 |
| Guarantees, acceptances and other financial facilities | 3,678,530 | 4,011,710 | - | - | 70,155 | 7,760,395 |
| Credit commitments | 54,854,878 | 13,857,574 | - | - | - | 68,712,452 |

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

39. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

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

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

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

39. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Foreign currency sensitivity

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

| | % Change in Currency Rate | 2024 | | 2023 | | |
|------------------|---------------------------|-----------------------------|-------------|-----------------------------|-----------|-----------|
| | | Effect on Profit Before Tax | | Effect on Profit Before Tax | | |
| | | The Group | The Bank | The Group | The Bank | |
| | | \$'000 | \$'000 | \$'000 | \$'000 | |
| Currency: | | | | | | |
| USD | Appreciation 2% | 268,549 | 446,635 | Appreciation 1% | 32,756 | 78,630 |
| | Depreciation 8% | (1,074,196) | (1,786,540) | Depreciation 4% | (131,024) | (314,518) |
| GBP | Appreciation 2% | (8,992) | (1,588) | Appreciation 1% | 1,753 | 5,036 |
| | Depreciation 8% | 35,970 | 6,353 | Depreciation 4% | (7,011) | (20,146) |
| CAN | Appreciation 2% | (2,875) | 599 | Appreciation 1% | (92,691) | 2,477 |
| | Depreciation 8% | (11,502) | (2,394) | Depreciation 4% | 370,764 | (9,909) |

(ii) Interest rate risk

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

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

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

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

39. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

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

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

| | The Group | | | | | | Total |
|--|----------------------|----------------------|----------------------|----------------------|--------------------|----------------------|----------------------|
| | Within 1 Month | 2 to 3 Months | 4 to 12 Months | 1 to 5 Years | Over 5 Years | Non-Interest Bearing | |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| September 30, 2024 | | | | | | | |
| Assets | | | | | | | |
| Cash in hand and balances at Central Banks | 19,495,746 | - | - | - | - | 73,337,662 | 92,833,408 |
| Due from other banks | 22,531,038 | 2,565,834 | - | - | - | 16,790,170 | 41,887,042 |
| Reverse repurchase agreements | 1,146,475 | 1,558,008 | 240,748 | - | - | 18,523 | 2,963,754 |
| Loans and advances, net of provision for credit losses | 49,716,765 | 5,770,135 | 24,010,067 | 161,062,750 | 226,328,975 | 580,266 | 467,468,958 |
| Investment securities | 20,213,420 | 28,105,765 | 50,729,568 | 218,812,773 | 201,857,974 | 16,905,929 | 536,625,429 |
| Derivative financial instruments | - | - | - | - | - | 29,964 | 29,964 |
| Other | - | - | - | - | - | 37,711,101 | 37,711,101 |
| Total financial assets | 113,103,444 | 37,999,742 | 74,980,383 | 379,875,523 | 428,186,949 | 145,373,615 | 1,179,519,656 |
| Liabilities | | | | | | | |
| Due to other banks | - | 4,024,741 | - | - | - | 4,739,524 | 8,764,265 |
| Customer deposits | 554,681,808 | 14,958,684 | 19,703,654 | 3,396,771 | - | 4,651,296 | 597,392,213 |
| Repurchase agreements | 66,457,577 | 120,372,388 | 105,610,621 | 191,506 | - | 3,913,491 | 296,545,583 |
| Obligations under securitisation arrangements | - | 2,197,665 | 6,772,858 | 51,947,471 | 31,972,393 | 872,021 | 93,762,408 |
| Other borrowed funds | 1,873,547 | 1,613,059 | 9,292,383 | 10,662,492 | 16,240,662 | 314,496 | 39,996,639 |
| Lease Liabilities | 141,280 | 73,683 | 576,678 | 840,144 | 115,777 | - | 1,747,562 |
| Other | - | - | - | - | - | 32,075,428 | 32,075,428 |
| Total financial liabilities | 623,154,212 | 143,240,220 | 141,956,194 | 67,038,384 | 48,328,832 | 46,566,256 | 1,070,284,098 |
| On-statement of financial position interest sensitivity gap | (510,050,768) | (105,240,478) | (66,975,811) | 312,837,139 | 379,858,117 | 98,807,359 | 109,235,558 |
| Cumulative interest sensitivity gap | (510,050,768) | (615,291,246) | (682,267,057) | (369,429,918) | 10,428,199 | 109,235,558 | |

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

39. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

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

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

39. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

| | The Bank | | | | | | Total |
|--|----------------------|----------------------|----------------------|----------------------|---------------------|----------------------|--------------------|
| | Within 1 Month | 2 to 3 Months | 4 to 12 Months | 1 to 5 Years | Over 5 Years | Non-Interest Bearing | |
| September 30, 2024 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Assets | | | | | | | |
| Cash in hand and balances at Central Bank | 19,326,326 | - | - | - | - | 72,055,219 | 91,381,545 |
| Due from other banks | 10,234,293 | 2,565,834 | - | - | - | 16,781,554 | 29,581,687 |
| Loans and advances, net of provision for credit losses | 47,576,159 | 5,769,435 | 22,961,668 | 158,509,327 | 220,608,781 | 536,027 | 455,961,397 |
| Investment securities | 12,075,110 | 12,672,841 | 24,975,057 | 119,823,878 | 102,704,056 | 3,481,268 | 275,732,210 |
| Derivative financial instruments | - | - | - | - | - | 29,964 | 29,964 |
| Other | - | - | - | - | - | 35,211,861 | 35,211,861 |
| Total financial assets | 89,211,888 | 21,008,110 | 47,936,725 | 278,333,205 | 323,312,837 | 128,095,893 | 887,898,658 |
| Liabilities | | | | | | | |
| Due to other banks | 1,665,651 | 4,024,741 | - | - | - | 4,719,408 | 10,409,800 |
| Customer deposits | 547,127,480 | 8,573,768 | 8,950,765 | 134,234 | - | 4,343,204 | 569,129,451 |
| Repurchase agreements | 12,737,895 | 57,610,656 | 27,882,425 | - | - | 1,137,300 | 99,368,276 |
| Obligations under securitisation arrangements | - | 2,197,665 | 6,772,858 | 51,947,471 | 31,972,393 | 872,021 | 93,762,408 |
| Other borrowed funds | 603,779 | 32,215 | 148,552 | 1,060,686 | 16,240,662 | 144,775 | 18,230,669 |
| Lease Liabilities | 155,172 | 67,338 | 472,890 | 829,037 | 115,778 | - | 1,640,215 |
| Other | - | - | - | - | - | 23,369,536 | 23,369,536 |
| Total financial liabilities | 562,289,977 | 72,506,383 | 44,227,490 | 53,971,428 | 48,328,833 | 34,586,244 | 815,910,355 |
| On-statement of financial position interest sensitivity gap | (473,078,089) | (51,498,273) | 3,709,235 | 224,361,777 | 274,984,004 | 93,509,649 | 71,988,303 |
| Cumulative interest sensitivity gap | (473,078,089) | (524,576,362) | (520,867,127) | (296,505,350) | (21,521,346) | 71,988,303 | - |

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

39. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

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

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

39. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

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

| | The Group | | | | The Bank | | | |
|---|-----------|------|-------|------|----------|------|-------|------|
| | J\$ | US\$ | CAN\$ | GBP | J\$ | US\$ | CAN\$ | GBP |
| | % | % | % | % | % | % | % | % |
| September 30, 2024 | | | | | | | | |
| Assets | | | | | | | | |
| Balances at Central Banks | 6.25 | - | - | - | 6.25 | - | - | - |
| Due from other banks | 6.0 | 1.35 | - | - | 6.0 | 1.35 | - | - |
| Reverse repurchase agreements | 7.99 | 3.56 | - | - | - | - | - | - |
| Loans and advances | 11.96 | 8.33 | - | - | 11.96 | 8.33 | - | - |
| Investment securities | 6.83 | 4.71 | 4.19 | 4.92 | 5.58 | 4.47 | 4.19 | 4.92 |
| Liabilities | | | | | | | | |
| Due to other banks | 7.00 | 6.44 | - | - | - | 6.44 | - | - |
| Customer deposits | 1.60 | 0.58 | - | - | 1.60 | 0.58 | - | - |
| Repurchase agreements | 8.58 | 4.58 | - | - | 8.65 | 5.83 | - | - |
| Obligations under securitisation arrangements | - | 5.50 | - | - | - | 5.50 | - | - |
| Other borrowed funds | 4.64 | 4.25 | - | - | 4.64 | 4.25 | - | - |
| September 30, 2023 | | | | | | | | |
| Assets | | | | | | | | |
| Balances at Central Banks | 7.0 | - | - | - | 7.0 | - | - | - |
| Due from other banks | 6.0 | 1.35 | - | - | 6.0 | 1.35 | - | - |
| Reverse repurchase agreements | 7.47 | 3.75 | - | - | - | - | - | - |
| Loans and advances | 11.30 | 8.06 | - | - | 11.30 | 8.06 | - | - |
| Investment securities | 6.84 | 5.10 | 5.06 | 5.50 | 6.29 | 4.37 | - | 5.50 |
| Liabilities | | | | | | | | |
| Due to other banks | 8.44 | 7.91 | - | - | 8.22 | 7.91 | - | - |
| Customer deposits | 1.26 | 0.64 | - | - | 1.26 | 0.64 | - | - |
| Repurchase agreements | 9.02 | 3.81 | - | - | 9.37 | 3.88 | - | - |
| Obligations under securitisation arrangements | - | 5.68 | - | - | - | 5.68 | - | - |
| Other borrowed funds | 4.71 | 6.32 | - | - | 4.71 | 2.70 | - | - |

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

39. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

Interest rate sensitivity

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

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

| | The Group | |
|----------------------------------|-----------------------------|--------------------------------------|
| | Effect on Profit before Tax | Effect on Other Components of Equity |
| | 2024 \$'000 | 2024 \$'000 |
| Change in basis points: | | |
| Decrease - JMD -25 and USD -50 | (19,171) | 4,689,388 |
| Increase - JMD +25 and USD +25 | 19,171 | (2,890,280) |
| | 2023 \$'000 | 2023 \$'000 |
| Change in basis points: | | |
| Decrease - JMD -100 and USD -100 | (1,863) | 3,012,652 |
| Increase - JMD +100 and USD +100 | (189) | (5,179,603) |
| | | |
| | The Bank | |
| | Effect on Profit before Tax | Effect on Other Components of Equity |
| | 2024 \$'000 | 2024 \$'000 |
| Change in basis points: | | |
| Decrease - JMD -25 and USD -50 | (2,694) | 1,041,493 |
| Increase - JMD +25 and USD +25 | 2,694 | (554,914) |

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

39. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

Interest rate sensitivity (continued)

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

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

39. Financial Risk Management (Continued)

(c) Market risk (continued)

(iii) Other price risk

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

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

Sensitivity to changes in price of equity securities

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

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

| | The Group | | | |
|---|-----------------------------|------------------|-----------------------------|------------------|
| | Effect on Profit before Tax | Effect on Equity | Effect on Profit before Tax | Effect on Equity |
| | 2024 | 2024 | 2023 | 2023 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Percentage change in share price | | | | |
| 3% / 10% decrease | (248,662) | - | (1,778,924) | - |
| 6% / 10% increase | 497,323 | - | 1,778,924 | - |

| | The Bank | | | |
|---|-----------------------------|------------------|-----------------------------|------------------|
| | Effect on Profit before Tax | Effect on Equity | Effect on Profit before tax | Effect on Equity |
| | 2024 | 2024 | 2023 | 2023 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Percentage change in share price | | | | |
| 3% / 10% decrease | (365) | - | (18) | - |
| 6% / 10% increase | 730 | - | 18 | - |

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

39. Financial Risk Management (Continued)

(d) Derivative financial instruments

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

(e) Capital management

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

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

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

(i) The Bank

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

The Central Bank requires the Bank to:

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

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

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

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

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

39. Financial Risk Management (Continued)

(f) Capital management (continued)

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

The Bank met all the regulatory capital requirements as at September 30, 2024.

(ii) NCB Insurance Agency & Fund Managers Limited (NCBIA)

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

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

This ratio is calculated by comparing available capital and surplus to a minimum requirement set by the FSC in regard to the asset and liability profile of the company. The company met all FSC regulatory capital requirements as at September 30, 2024.

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

39. Financial Risk Management (Continued)

(f) Capital management (continued)

(iii) NCB Capital Markets Limited (NCBCM)

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

The regulatory capital of the company is divided into two tiers:

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

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

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

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

NCBCM met all the FSC regulatory capital requirements as at September 30, 2024.

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

40. Fair Values of Financial Instruments

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

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

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

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

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

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

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

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

40. Fair Values of Financial Instruments (Continued)

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

| | The Group | | | |
|---|-------------------|-------------------|-------------------|-----------------|
| | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
| At September 30, 2024 | | | | |
| Financial assets | | | | |
| <i>Investment securities classified as FVOCI</i> | | | | |
| Government of Jamaica debt securities | - | 135,934,014 | 416,741 | 136,350,755 |
| Other government securities | 40,599 | 120,320,468 | - | 120,361,067 |
| Corporate debt securities | - | 8,549,011 | 51,629,070 | 60,178,081 |
| | 40,599 | 264,803,493 | 52,045,811 | 316,889,903 |
| <i>Investment securities at fair value through profit or loss</i> | | | | |
| Government of Jamaica debt securities | - | 1,202,408 | - | 1,202,408 |
| Other government securities | - | 343,343 | - | 343,343 |
| Corporate debt securities | - | 50,644 | - | 50,644 |
| Quoted and unquoted equities | 5,905,399 | 548,206 | 3,966,145 | 10,419,750 |
| Collective Investment Schemes | - | 166,366 | - | 166,366 |
| | 5,905,399 | 2,310,967 | 3,966,145 | 12,182,511 |
| | 5,945,998 | 267,114,460 | 56,011,956 | 329,072,414 |

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

40. Fair Values of Financial Instruments (Continued)

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

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

| | The Group | |
|------------------|-------------------|-------------------|
| | 2024 \$'000 | 2023 \$'000 |
| At start of year | 64,480,286 | 66,044,045 |
| Acquisitions | 5,012,616 | 5,071,874 |
| Disposals | (3,054,516) | (4,439,642) |
| Sales/maturities | (9,851,952) | (3,560,530) |
| Fair value gains | (574,478) | 1,364,539 |
| At end of year | <u>56,011,956</u> | <u>64,480,286</u> |

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

40. Fair Values of Financial Instruments (Continued)

| | The Bank | | | |
|---|----------|-------------------|------------------|-------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| At September 30, 2024 | | | | |
| Financial assets | | | | |
| <i>Investment securities classified as FVOCI</i> | | | | |
| Government of Jamaica debt securities | - | 26,902,397 | - | 26,902,397 |
| Other government securities | - | 68,427,110 | - | 68,427,110 |
| Corporate debt securities | - | - | 4,455,970 | 4,455,970 |
| | <u>-</u> | <u>95,329,507</u> | <u>4,455,970</u> | <u>99,785,477</u> |
| <i>Investment securities at fair value through profit or loss</i> | | | | |
| Quoted & unquoted equity securities | - | - | 18,255 | 18,255 |
| | <u>-</u> | <u>-</u> | <u>18,255</u> | <u>18,255</u> |
| | <u>-</u> | <u>95,329,507</u> | <u>4,474,225</u> | <u>99,803,732</u> |
| September 30, 2023 | | | | |
| Financial assets | | | | |
| <i>Investment securities classified as FVOCI</i> | | | | |
| Government of Jamaica debt securities | - | 39,360,474 | - | 39,360,474 |
| Other government securities | - | 31,927,900 | - | 31,927,900 |
| Corporate debt securities | - | - | 4,861,259 | 4,861,259 |
| | <u>-</u> | <u>71,288,374</u> | <u>4,861,259</u> | <u>76,149,633</u> |
| <i>Investment securities at fair value through profit or loss</i> | | | | |
| Quoted & unquoted equity securities | - | - | 18,255 | 18,255 |
| | <u>-</u> | <u>-</u> | <u>18,255</u> | <u>18,255</u> |
| | <u>-</u> | <u>71,288,374</u> | <u>4,879,514</u> | <u>76,167,888</u> |

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

| | The Bank | |
|------------------|------------------|------------------|
| | 2024 \$'000 | 2023 \$'000 |
| At start of year | 4,879,514 | 4,874,441 |
| Additions | 1,031,370 | - |
| Disposals | (993,589) | - |
| Fair value gains | (443,070) | 5,073 |
| At end of year | <u>4,474,225</u> | <u>4,879,514</u> |

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

40. Fair Values of Financial Instruments (Continued)

Sensitivity analysis

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

| Description | 2024 | | |
|-----------------------|--------------------|-------------------------|-----------------------------|
| | Unobservable input | Change in basis points | Change in fair value \$'000 |
| Other corporate bonds | Risk premium | JMD -25 and USD -50 | 331,482 |
| | | JMD +25 and USD +25 | (66,330) |
| Description | 2023 | | |
| | Unobservable input | Change in basis points | Change in fair value \$'000 |
| Other corporate bonds | Risk premium | JMD -100; and, USD -50 | 399,837 |
| | | JMD +100; and, USD +100 | (357,532) |

The Group's level 3 unquoted equity securities would decrease in value by \$237,969,000 should there be a 6% increase/decrease in value (2023 - \$359,370,000) assuming a 6% decrease.

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

| | The Group | | The Bank | |
|-----------------------|-----------------------|-------------------|-----------------------|-------------------|
| | Carrying Value \$'000 | Fair Value \$'000 | Carrying Value \$'000 | Fair Value \$'000 |
| At September 30, 2024 | 201,061,325 | 189,942,260 | 172,531,091 | 160,311,392 |
| At September 30, 2023 | 206,361,123 | 185,425,716 | 186,248,676 | 164,958,164 |

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

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

41. Fiduciary Activities

The Group provides custody, trustee, corporate administration, investment management and advisory services to third parties which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements. At September 30, 2024, the Group had financial assets under administration of approximately \$112,268,473,000 (2023 - \$92,634,300,000).

42. Dividends

The following dividends were paid during the year:

- \$6.0775 per ordinary stock unit was paid in December 2023
- \$0.25 per ordinary stock unit was paid in February 2024
- \$0.50 per ordinary stock unit was paid in August 2024

43. Litigation and Contingent Liabilities

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

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

- Suit has been filed by a customer against the Bank for unlawful, wrongful and/or improper use of power in the appointment of a Receiver and manager of the customer's business property and assets. Damages, interest and costs have been claimed against the Bank. No provision has been made in the financial statements for this claim as the Bank's attorneys are of the opinion that the claim is unlikely to succeed.
- Suit was filed by a claimant seeking specific performance, damages for breach of contract, interest and costs. At the time of trial, the claim against the Bank was quantified by the Claimant at approximately J\$31.4 billion plus interest and costs. The Supreme Court issued judgment in the Bank's favor, with the Court ordering a company (placed by the Bank into receivership) to pay the Claimant J\$5 million plus interest. However, the claim had to be re-tried due to the retirement of the trial judge. Following the re-trial, in January 2023, the Supreme Court handed down its decision in which the company the Bank had placed into receivership was ordered to pay the Claimant J\$2.5 million plus interest, while no adverse orders were made against the Bank. The Claimants appealed that decision. No provision has been made for this claim as the Bank's attorneys are of the view that the Bank ought to succeed in defending the judgment on appeal.

A number of other suits have been filed by stakeholders of the Group. In some instances, counter-claims have been filed by the Group. No provision has been made where the Group's attorneys are of the view that the Group has a good defence against these claims.

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

44. Reconciliation of Liabilities arising from Financial Activities

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

| Liabilities | The Group | | | |
|------------------------------|-----------------------------|---|---------------|--------------|
| | Other borrowed funds \$'000 | Obligation under securitisation arrangements \$'000 | Leases \$'000 | Total \$'000 |
| At October 1, 2022 | 25,814,489 | 99,085,658 | 2,654,313 | 127,554,460 |
| Cash movements - | | | | |
| Drawdowns | 18,956,009 | - | - | 18,956,009 |
| Repayment - principal | (6,347,103) | (2,745,242) | (923,240) | (10,015,585) |
| Non-cash movements - | | | | |
| Additions | - | - | 440,968 | 440,968 |
| Amortisation of upfront fees | - | 219,783 | - | 219,783 |
| Foreign exchange adjustments | 56,105 | 1,249,307 | - | 1,305,412 |
| Interest payable | 65,542 | 385,501 | - | 451,043 |
| At September 30, 2023 | 38,545,042 | 98,195,007 | 2,172,041 | 138,912,090 |
| Cash movements - | | | | |
| Drawdowns | 10,110,763 | - | - | 10,110,763 |
| Repayment - principal | (8,768,101) | (6,248,786) | (716,440) | (15,733,327) |
| Non-cash movements - | | | | |
| Additions | - | - | 291,961 | 291,961 |
| Amortisation of upfront fees | - | 199,254 | - | 199,254 |
| Foreign exchange adjustments | 110,907 | 889,838 | - | 1,000,745 |
| Interest payable | (1,972) | (35,932) | - | (37,904) |
| At September 30, 2024 | 39,996,639 | 92,999,381 | 1,747,562 | 134,743,582 |

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

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

| Liabilities | The Bank | | | |
|------------------------------|-----------------------------|---|---------------|--------------|
| | Other borrowed funds \$'000 | Obligation under securitisation arrangements \$'000 | Leases \$,000 | Total \$'000 |
| At October 1, 2022 | 15,573,997 | 99,085,658 | 2,466,706, | 117,126,361 |
| Cash movements - | | | | |
| Drawdowns | 6,146,499 | - | - | 6,146,499 |
| Repayment - principal | (4,008,391) | (2,745,242) | (670,218) | (7,423,851) |
| Non-cash movements - | | | | |
| Additions | - | - | 234,239 | 234,239 |
| Amortisation of upfront fees | - | 219,783 | - | 219,783 |
| Foreign exchange adjustments | 48,000 | 1,249,307 | - | 1,297,307 |
| Interest payable | 6,094 | 385,501 | - | 391,595 |
| At September 30, 2023 | 17,766,199 | 98,195,007 | 2,030,727 | 117,991,933 |
| Cash movements - | | | | |
| Drawdowns | 2,187,251 | - | - | 2,187,251 |
| Repayment - principal | (1,779,306) | (6,248,786) | (697,020) | (8,725,112) |
| Non-cash movements - | | | | |
| Additions | - | - | 306,508 | 306,508 |
| Amortisation of upfront fees | - | 199,254 | - | 199,254 |
| Foreign exchange adjustments | 57,545 | 889,838 | - | 947,383 |
| Interest payable | (1,020) | (35,932) | - | (36,952) |
| At September 30, 2024 | 18,230,669 | 92,999,381 | 1,640,215 | 112,870,265 |

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

45. Leases

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

| | The Group | | The Bank | |
|---------------------|------------------|------------------|------------------|------------------|
| | 2024 | 2023 | 2024 | 2023 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Right-of-use assets | | | | |
| Buildings | 1,511,519 | 1,970,600 | 1,312,437 | 1,754,012 |
| Motor vehicles | 445,552 | 378,970 | 441,608 | 365,478 |
| Equipment | 66,935 | 90,810 | 66,062 | 88,714 |
| | <u>2,024,006</u> | <u>2,440,380</u> | <u>1,820,107</u> | <u>2,208,204</u> |
| Lease liabilities | | | | |
| Current | 808,702 | 718,268 | 694,000 | 720,306 |
| Non-current | 938,860 | 1,453,773 | 946,215 | 1,310,421 |
| | <u>1,747,562</u> | <u>2,172,041</u> | <u>1,640,215</u> | <u>2,030,727</u> |

Right-of-use Asset

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

| | The Group | | |
|--------------------------|------------------------|---------------|----------------|
| | 2024 | | |
| | Leasehold Improvements | Equipment | Motor Vehicles |
| | \$'000 | \$'000 | \$'000 |
| Cost | 3,001,673 | 339,971 | 1,373,535 |
| Accumulated Depreciation | (1,490,154) | (273,036) | (927,983) |
| Net book values | <u>1,511,519</u> | <u>66,935</u> | <u>445,552</u> |

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

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

45. Leases (Continued)

(i) Amounts recognised in the balance sheet

During the financial year additions through new leases and acquisitions amounted to \$453,613,000 (2023-\$234,239,000).

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

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

| | The Group | |
|--|------------------|------------------|
| | 2024 | 2023 |
| | \$'000 | \$'000 |
| Depreciation charge on right-of-use assets | | |
| Buildings | 856,126 | 843,051 |
| Motor vehicles | 222,948 | 213,078 |
| Equipment | 68,428 | 80,301 |
| | <u>1,147,502</u> | <u>1,136,430</u> |

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

| | The Group | |
|--|------------------|------------------|
| | 2024 | 2023 |
| | \$'000 | \$'000 |
| Depreciation charge of right-of-use assets | 1,147,502 | 1,136,430 |
| Interest expense on lease liabilities | 15,794 | 42,845 |
| Total expenses related to leases | <u>1,163,296</u> | <u>1,179,275</u> |

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

- the amount of the initial measurement of lease liability
- any lease payments made at the commencement date less any lease incentives received

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

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

45. Leases (Continued)

The Group's leasing activities

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

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

To determine the incremental borrowing rate, the Group:

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

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

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

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

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

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

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

45. Leases (Continued)

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

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

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

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and right-of-use assets of \$83,411,000 (2023-\$78,242,000).

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

46. Offsetting Financial Assets and Financial Liabilities

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

| The Group | | | | | | | |
|--|-----------------------------------|--|--|-------------------------------------|--------------------|----------------------------------|--------------------|
| 2024 | | | | | | | |
| Related amounts not set off in the statement of financial position | | | | | | | |
| | Gross amounts of financial assets | Gross amounts set off on the balance sheet | Net amounts of financial assets presented on the balance sheet | Impact of master netting agreements | Cash collateral | Financial instruments collateral | Net amounts |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Assets | | | | | | | |
| Cash resources | 134,720,450 | - | 134,720,450 | - | - | (2,565,833) | 132,154,617 |
| Financial investments | 536,625,429 | - | 536,625,429 | (233,915,922) | - | (1,504,232) | 301,205,275 |
| | <u>671,345,879</u> | | <u>671,345,879</u> | <u>(233,915,922)</u> | | <u>(4,070,065)</u> | <u>433,359,892</u> |
| 2023 | | | | | | | |
| Cash resources | 121,032,415 | - | 121,032,415 | - | (2,315,634) | (4,296,000) | 114,420,781 |
| Financial investments | 537,377,841 | - | 537,377,841 | (262,624,450) | - | (1,474,357) | 273,279,034 |
| | <u>658,410,256</u> | | <u>658,410,256</u> | <u>(262,624,450)</u> | <u>(2,315,634)</u> | <u>(5,770,357)</u> | <u>387,699,815</u> |

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

46. Offsetting Financial Assets and Financial Liabilities (Continued)

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

| The Bank | | | | | | | |
|--|-----------------------------------|--|--|-------------------------------------|--------------------|----------------------------------|--------------------|
| 2024 | | | | | | | |
| Related amounts not set off in the statement of financial position | | | | | | | |
| | Gross amounts of financial assets | Gross amounts set off on the balance sheet | Net amounts of financial assets presented on the balance sheet | Impact of master netting agreements | Cash collateral | Financial instruments collateral | Net amounts |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Assets | | | | | | | |
| Cash resources | 120,963,226 | - | 120,963,226 | - | - | (2,565,833) | 118,397,393 |
| Financial investments | 275,732,210 | - | 275,732,210 | (134,871,400) | - | (1,504,232) | 139,356,578 |
| | <u>396,695,436</u> | | <u>396,695,436</u> | <u>(134,871,400)</u> | | <u>(4,070,065)</u> | <u>257,753,971</u> |
| 2023 | | | | | | | |
| Cash resources | 109,355,482 | - | 109,355,482 | - | (2,315,634) | (2,516,368) | 104,523,480 |
| Financial investments | 265,698,418 | - | 265,698,418 | (140,578,021) | - | (1,308,562) | 123,811,835 |
| | <u>375,053,900</u> | | <u>375,053,900</u> | <u>(140,578,021)</u> | <u>(2,315,634)</u> | <u>(3,824,930)</u> | <u>228,335,315</u> |

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

46. Offsetting Financial Assets and Financial Liabilities (Continued)

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

| The Group | | | | | | | |
|--|--|--|-------------------------------------|----------------------|----------------------------------|-------------|--------------------|
| 2024 | | | | | | | |
| Related amounts not set off in the statement of financial position | | | | | | | |
| Gross amounts of financial assets | Gross amounts set off on the balance sheet | Net amounts of financial assets presented on the balance sheet | Impact of master netting agreements | Cash collateral | Financial instruments collateral | Net amounts | |
| \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | |
| Liabilities | | | | | | | |
| Repurchase agreements | 296,545,583 | - | 296,545,583 | (233,915,922) | - | - | 62,629,661 |
| Obligations under securitisation agreements | 92,999,381 | - | 92,999,381 | - | - | - | 92,999,381 |
| | <u>389,544,964</u> | <u>-</u> | <u>389,544,964</u> | <u>(233,915,922)</u> | <u>-</u> | <u>-</u> | <u>155,629,042</u> |
| 2023 | | | | | | | |
| Repurchase agreements | 277,983,070 | - | 277,983,070 | (262,624,450) | - | - | 15,358,620 |
| Obligations under securitisation agreements | 98,195,007 | - | 98,195,007 | - | (2,315,634) | - | 95,879,373 |
| | <u>376,178,077</u> | <u>-</u> | <u>376,178,077</u> | <u>(262,624,450)</u> | <u>(2,315,634)</u> | <u>-</u> | <u>111,237,993</u> |

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

46. Offsetting Financial Assets and Financial Liabilities (Continued)

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

| The Bank | | | | | | | |
|--|--|--|-------------------------------------|----------------------|----------------------------------|-------------|-------------------|
| 2024 | | | | | | | |
| Related amounts not set off in the statement of financial position | | | | | | | |
| Gross amounts of financial assets | Gross amounts set off on the balance sheet | Net amounts of financial assets presented on the balance sheet | Impact of master netting agreements | Cash collateral | Financial instruments collateral | Net amounts | |
| \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | |
| Liabilities | | | | | | | |
| Repurchase agreements | 99,368,276 | - | 99,368,276 | (134,871,400) | - | - | (35,503,124) |
| Obligations under securitisation agreements | 92,999,381 | - | 92,999,381 | - | - | - | 92,999,381 |
| | <u>192,367,657</u> | <u>-</u> | <u>192,367,657</u> | <u>(134,871,400)</u> | <u>-</u> | <u>-</u> | <u>57,496,257</u> |
| 2023 | | | | | | | |
| Repurchase agreements | 82,698,221 | - | 82,698,221 | (140,578,021) | - | - | (57,879,800) |
| Obligations under securitisation agreements | 98,195,007 | - | 98,195,007 | - | (2,315,634) | - | 95,879,373 |
| | <u>180,893,228</u> | <u>-</u> | <u>180,893,228</u> | <u>(140,578,021)</u> | <u>(2,315,634)</u> | <u>-</u> | <u>37,999,573</u> |

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

47. Restatement

Correcting adjustments

Management identified a system issue that resulted in unreconciled differences that affected certain customers' accounts. A provision for these unreconciled differences was made for the current and prior year.

| | The Group 2023 | | |
|--|--|-------------------------------------|--------------------|
| | As previously reported \$'000 | Correcting adjustments \$'000 | Restated \$'000 |
| Net interest income | 46,053,306 | - | 46,053,306 |
| Net fee and commission income | 22,097,733 | - | 22,097,733 |
| Gain on foreign currency and investment activities | 12,566,320 | - | 12,566,320 |
| Credit impairment losses | (4,138,915) | - | (4,138,915) |
| Dividend income | 741,142 | - | 741,142 |
| Other operating income | 487,971 | - | 487,971 |
| Net income from banking and investment activities | 77,807,557 | - | 77,807,557 |
| Operating Expenses | | | |
| Staff costs | 29,615,265 | - | 29,615,265 |
| Depreciation and amortisation | 2,667,196 | - | 2,667,196 |
| Finance cost | 1,179,275 | - | 1,179,275 |
| Other operating expenses | 33,467,655 | 1,174,999 | 34,642,654 |
| | 66,929,391 | 1,174,999 | 68,104,390 |
| Operating Profit | 10,878,166 | (1,174,999) | 9,703,167 |
| Share of profit of associates | (21,253) | - | (21,253) |
| Profit before Taxation | 10,856,913 | (1,174,999) | 9,681,914 |
| Taxation | (749,367) | 391,628 | (357,739) |
| NET PROFIT | 10,107,546 | (783,371) | 9,324,175 |

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

47. Restatement (continued)

| | The Bank 2023 | | |
|--|--|-------------------------------------|--------------------|
| | As previously reported \$'000 | Correcting adjustments \$'000 | Restated \$'000 |
| Net interest income | 41,688,984 | - | 41,688,984 |
| Net fee and commission income | 18,394,032 | - | 18,394,032 |
| Gain on foreign currency and investment activities | 9,087,503 | - | 9,087,503 |
| Credit impairment losses | (4,179,385) | - | (4,179,385) |
| Dividend income | 4,946,401 | - | 4,946,401 |
| Other operating income | 394,409 | - | 394,409 |
| Net income from banking and investment activities | 70,331,944 | - | 70,331,944 |
| Operating Expenses | | | |
| Staff costs | 26,252,599 | - | 26,252,599 |
| Depreciation and amortisation | 2,499,002 | - | 2,499,002 |
| Finance cost | 1,106,364 | - | 1,106,364 |
| Other operating expenses | 30,790,802 | 1,174,999 | 31,965,801 |
| | 60,646,767 | 1,174,999 | 61,821,766 |
| Profit before Taxation | 9,685,177 | (1,174,999) | 8,510,178 |
| Taxation | (1,187,541) | 391,627 | (795,914) |
| NET PROFIT | 8,497,636 | (783,372) | 7,714,264 |

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

47. Restatement (continued)

| | The Group | | |
|---|------------------------|------------------------|----------------------|
| | 2023 | | |
| | As previously reported | Correcting adjustments | Restated |
| | \$'000 | \$'000 | \$'000 |
| ASSETS | | | |
| Cash in hand and due from other banks | 116,736,415 | - | 116,736,415 |
| Investment securities | 541,673,841 | - | 541,673,841 |
| Loans and advances, net of credit impairment losses | 465,296,454 | - | 465,296,454 |
| Property, plant, equipment & software | 24,346,348 | - | 24,346,348 |
| Deferred and income taxes | 17,202,260 | 391,627 | 17,593,887 |
| Other assets | 41,026,342 | - | 41,026,342 |
| | <u>1,206,281,660</u> | <u>391,627</u> | <u>1,206,673,287</u> |
| LIABILITIES | | | |
| Customer deposits | 571,781,342 | - | 571,781,342 |
| Repurchase agreements | 277,983,070 | - | 277,983,070 |
| Other borrowed funds | 136,740,049 | - | 136,740,049 |
| Other liabilities | 69,126,367 | 1,174,999 | 70,301,366 |
| | <u>1,055,630,828</u> | <u>1,174,999</u> | <u>1,056,805,827</u> |
| EQUITY | | | |
| Share capital and other equity | 104,071,531 | - | 104,071,531 |
| Fair value and other reserves | (7,877,856) | - | (7,877,856) |
| Retained earnings | 54,457,157 | (783,372) | 53,673,785 |
| Equity attributable to stockholders' equity of the parent | <u>150,650,832</u> | <u>(783,372)</u> | <u>149,867,460</u> |
| Total stockholders' equity and liability | <u>1,206,281,660</u> | <u>391,627</u> | <u>1,206,673,287</u> |

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

September 30, 2024 (expressed in Jamaican dollars unless otherwise indicated)

47. Restatement (continued)

| | The Bank | | |
|---|------------------------|------------------------|--------------------|
| | 2023 | | |
| | As previously reported | Correcting adjustments | Restated |
| | \$'000 | \$'000 | \$'000 |
| ASSETS | | | |
| Cash in hand and due from other banks | 106,839,115 | - | 106,839,115 |
| Investment securities | 268,214,786 | - | 268,214,786 |
| Loans and advances, net of credit impairment losses | 447,196,844 | - | 447,196,844 |
| Property, plant, equipment & software | 23,589,514 | - | 23,589,514 |
| Deferred and income taxes | 13,486,646 | 391,627 | 13,878,273 |
| Other assets | 36,991,609 | - | 36,991,609 |
| | <u>896,318,514</u> | <u>391,627</u> | <u>896,710,141</u> |
| LIABILITIES | | | |
| Customer deposits | 532,554,213 | - | 532,554,213 |
| Repurchase agreements | 82,698,221 | - | 82,698,221 |
| Other borrowed funds | 115,961,206 | - | 115,961,206 |
| Other liabilities | 59,047,725 | 1,174,999 | 60,222,724 |
| | <u>790,261,365</u> | <u>1,174,999</u> | <u>791,436,364</u> |
| EQUITY | | | |
| Share capital and other equity | 103,774,205 | - | 103,774,205 |
| Fair value and other reserves | (1,402,137) | - | (1,402,137) |
| Retained earnings | 3,685,081 | (783,372) | 2,901,709 |
| Equity attributable to stockholders' equity of the parent | <u>106,057,149</u> | <u>(783,372)</u> | <u>105,273,777</u> |
| Total stockholders' equity and liability | <u>896,318,514</u> | <u>391,627</u> | <u>896,710,141</u> |

48. Subsequent Event

On November 12, 2024, the Board declared a last interim dividend in respect of 2024 of J\$0.64685 per ordinary stock unit. The financial statements for the year ended September 30, 2024 do not reflect this resolution, which will be accounted for in stockholders' equity as an appropriation of retained profits in the year ending September 30, 2025



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