

FINANCIAL STATEMENTS


2024



FINANCIAL STATEMENTS

September 30, 2024

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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>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>



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.

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers'.

Chartered Accountants
Kingston, Jamaica
December 30, 2024

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	<u>48,472,037</u>	<u>46,053,306</u>
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	<u>23,845,392</u>	<u>22,097,733</u>
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
		<u>2,771,290</u>	<u>9,656,518</u>
Net operating income		<u>75,088,719</u>	<u>77,807,557</u>
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
		<u>69,442,672</u>	<u>68,104,390</u>
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		<u>6,112,438</u>	<u>9,324,175</u>

National Commercial Bank Jamaica Limited

Consolidated Statement of Comprehensive Income

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

	2024	Restated
	\$'000	2023
		\$'000
Net Profit	<u>6,112,438</u>	<u>9,324,175</u>
Other Comprehensive Income, net of tax -		
Items that will not be reclassified to profit or loss		
Remeasurement of post-employment benefit obligations	<u>1,342,085</u>	<u>(2,561,505)</u>
	<u>1,342,085</u>	<u>(2,561,505)</u>
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
	<u>9,934,596</u>	<u>16,483,233</u>
Total other comprehensive income	<u>11,276,681</u>	<u>13,921,728</u>
TOTAL COMPREHENSIVE INCOME	<u><u>17,389,119</u></u>	<u><u>23,245,903</u></u>

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)

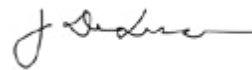
	Note	2024 \$'000	Restated 2023 \$'000
LIABILITIES			
Due to other banks	26	8,764,265	20,732,326
Customer deposits		597,392,213	571,781,342
Repurchase agreements		296,545,583	277,983,070
Derivative financial instruments		-	9,192
Obligations under securitisation arrangements	27	92,999,381	98,195,007
Other 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

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	<u>35,149,885</u>	<u>47,297,417</u>
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		<u>10,724,947</u>	<u>(56,512,486)</u>
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		<u>(21,738,665)</u>	<u>(6,232,607)</u>
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		<u>83,950,845</u>	<u>58,715,569</u>
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)
		<u>83,950,845</u>	<u>58,715,569</u>

FINANCIAL STATEMENTS - CONSOLIDATED STATEMENT OF CASH FLOWS

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		10,764,008	8,510,178
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	Restated
	\$'000	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><u>17,288,169</u></u>	<u><u>20,210,865</u></u>

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)

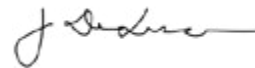
	Note	2024 \$'000	Restated 2023 \$'000
LIABILITIES			
Due to other banks	26	10,409,800	20,472,600
Customer deposits		569,129,451	532,554,213
Derivative financial instruments		-	9,192
Repurchase agreements		99,368,276	82,698,221
Obligations under securitisation arrangements	27	92,999,381	98,195,007
Other 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

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	<u>29,854,040</u>	<u>26,185,766</u>
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		<u>10,076,424</u>	<u>(6,457,001)</u>
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		<u>(22,774,567)</u>	<u>(16,641,469)</u>
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		<u><u>68,078,096</u></u>	<u><u>49,823,090</u></u>
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)
		<u><u>68,078,096</u></u>	<u><u>49,823,090</u></u>

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

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.

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.

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.

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.

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)

(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.

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)

(g) Financial assets (continued)

Definition of default

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

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

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

Write-offs

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

Recognition and Measurement of ECL

The general approach to recognising and measuring ECL reflects:

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

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

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

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

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

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 85%	Best Case 5%	Worst Case 10%
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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.

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)

(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.

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)

(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.

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)

(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.

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.

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)

(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

National Commercial Bank Jamaica Limited

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.

National Commercial Bank Jamaica Limited

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.

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

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

5. Net Interest Income

	The Group		The Bank	
	2024	2023	2024	2023
	\$'000	\$'000	\$'000	\$'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>

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	2023	2024	2023
	\$'000	\$'000	\$'000	\$'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	2023	2024	2023
	\$'000	\$'000	\$'000	\$'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.

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 $\frac{1}{3}$ % 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	<u>5,679,467</u>	<u>9,703,167</u>	<u>10,764,008</u>	<u>8,510,177</u>
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>

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)		<u>(1,424,246)</u>			<u>(1,300,959)</u>	

	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)		<u>(7,333,040)</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)

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.

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	2023	2024	2023
	\$'000	\$'000	\$'000	\$'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:

	The Group		The Bank	
	2024	2023	2024	2023
	\$'000	\$'000	\$'000	\$'000
Assets				
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.

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.

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			
	Carrying Value	JSE Indicative Value	Carrying Value	JSE 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 \$'000	Elite Diagnostic Limited \$'000	Total \$'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

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

20. Investment in Associates (Continued)

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

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	
	Computer Software	
	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	<u>12,353,812</u>	<u>13,453,610</u>
Cost	34,878,834	32,880,574
Accumulated amortisation	(22,525,022)	(19,426,964)
Closing net book value	<u>12,353,812</u>	<u>13,453,610</u>
	The Bank	
	Computer Software	
	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	<u>11,707,910</u>	<u>12,697,785</u>
Cost	32,498,526	30,546,526
Accumulated amortisation	(20,790,616)	(17,848,741)
Net book value	<u>11,707,910</u>	<u>12,697,785</u>

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.

Notes to the Financial Statements

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

23. Property, Plant and Equipment

	The Group			Total
	Freehold Land and Buildings and Leasehold Improvements	Motor Vehicles, Furniture & Equipment	Work-in-Progress	
	\$'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			Total \$'000
	Freehold Land and Building and Leasehold Improvements \$'000	Motor Vehicles, Furniture & Equipment \$'000	Work-in- Progress \$'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

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 33 $\frac{1}{3}$ % 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 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	<u>(11,327,439)</u>	<u>(9,408,704)</u>	<u>(6,925,896)</u>	<u>(7,256,530)</u>

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	<u>(11,327,439)</u>	<u>(9,408,704)</u>	<u>(6,925,896)</u>	<u>(7,256,530)</u>

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	2023	2024	2023
	\$'000	\$'000	\$'000	\$'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
	<u>14,302,339</u>	<u>12,159,570</u>	<u>9,420,901</u>	<u>9,475,099</u>
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
	<u>2,974,900</u>	<u>2,750,866</u>	<u>2,495,005</u>	<u>2,218,569</u>
Net deferred tax asset	<u>(11,327,439)</u>	<u>(9,408,704)</u>	<u>(6,925,896)</u>	<u>(7,256,530)</u>

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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	2023	2024	2023
	\$'000	\$'000	\$'000	\$'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	2023	2024	2023
	\$'000	\$'000	\$'000	\$'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>

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
	<u>92,890,387</u>	<u>98,249,337</u>
Unamortised transaction fees	(763,027)	(962,281)
	<u>92,127,360</u>	<u>97,287,056</u>
Interest payable	872,021	907,951
Net liability	<u>92,999,381</u>	<u>98,195,007</u>

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%.

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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.

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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	-	-
	<u>39,684,372</u>	<u>38,283,930</u>	<u>18,085,820</u>	<u>17,620,329</u>
Interest payable	312,267	261,112	144,849	145,870
	<u>39,996,639</u>	<u>38,545,042</u>	<u>18,230,669</u>	<u>17,766,199</u>

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.

National Commercial Bank Jamaica Limited

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29. Interests in Structured Entities

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

Consolidated Structured Entities

Securitisation Vehicles

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

Unconsolidated Structured Entity

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

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

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

	The Group	
	2024	2023
	\$'000	\$'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 Eppley 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	<u>11,996,930</u>	<u>11,004,579</u>
Maximum exposure to loss	<u>764,483</u>	<u>773,619</u>
Investments by the Group:		
Preference shares	<u>2,129,895</u>	<u>697,251</u>
Management fees earned by the Group	<u>212,911</u>	<u>164,702</u>

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.

National Commercial Bank Jamaica Limited

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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

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>

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.

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

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

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	
	2024	Restated 2023	2024	Restated 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)

33. Fair Value and Capital Reserves

	The Group		The Bank	
	2024	2023	2024	2023
	\$'000	\$'000	\$'000	\$'000
Fair value reserve	(6,475,960)	(16,106,786)	(516,775)	(1,776,608)
Capital reserve	8,532,700	8,228,930	374,471	374,471
	<u>2,056,740</u>	<u>(7,877,856)</u>	<u>(142,304)</u>	<u>(1,402,137)</u>
Capital reserve comprises:				
Realised –				
Capital gains from the Scheme of Arrangement	-	-	300,564	300,564
Surplus on revaluation of property, plant and equipment	92,991	92,991	-	-
Retained earnings capitalised	98,167	98,167	-	-
Share redemption reserve	1,077,382	1,077,382	-	-
Unrealised –				
Translation reserve	6,331,479	6,027,709	-	-
Surplus on revaluation of property, plant and equipment	142,963	142,963	73,907	73,907
Other	789,718	789,718	-	-
	<u>8,532,700</u>	<u>8,228,930</u>	<u>374,471</u>	<u>374,471</u>

34. Loan Loss Reserve

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

35. Banking Reserve Fund

This fund is maintained in accordance with the Banking Services Act of 2014 and 2008 respectively, enacted in Jamaica, which requires that a minimum of 15% of the net profits, as defined by the Act, of the Bank be transferred to the reserve fund until the amount of the fund is equal to 50% of the paid-up capital of the Bank and thereafter 10% of the net profits until the amount of the fund is equal to the paid-up capital of the Bank. The amount of the fund has surpassed the paid-up capital of the Bank and therefore no further mandatory transfers were required.

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

36. Retained Earnings Reserve

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

Notes to the Financial Statements

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

37. Cash Flows from Operating Activities

	Note	The Group		The Bank	
		2024	2023	2024	2023
		\$'000	\$'000	\$'000	\$'000
Net profit		6,112,438	9,324,175	9,309,646	7,714,263
Adjustments to reconcile net profit to net cash flow provided by operating activities:					
Depreciation	23	1,242,807	1,068,889	1,238,201	1,062,114
Amortisation of intangible assets	22	3,094,228	1,598,507	2,942,757	1,436,887
Finance cost		1,163,296	1,179,275	1,050,231	1,104,364
Share of after tax (profits)/loss of associates	21	(33,420)	21,254		-
Credit impairment losses	10	7,631,738	4,138,915	7,294,096	4,179,385
Interest income	5	(79,877,419)	(71,683,566)	(63,969,293)	(56,884,691)
Interest expense	5	31,405,382	25,630,260	18,430,467	15,195,707
Income tax expense	12	(432,971)	749,367	1,454,362	1,187,541
Unrealised exchange gains on securitisation arrangements		889,836	1,249,307	889,838	1,249,307
Amortisation of upfront fees on securitisation arrangements		199,254	219,783	199,254	219,783
Unrealised exchange losses on other borrowed funds		110,907	56,105	57,545	48,000
Change in post-employment benefit obligations		4,431,067	343,189	4,431,067	343,189
Foreign exchange gains	30	(7,200,608)	(6,913,204)	(6,947,083)	(6,804,884)
Gain on disposal of property, plant and equipment and intangible assets	7	-	(72,523)	-	(70,586)
Fair value losses on investment property		340,498	24,348	-	-
Fair value losses on derivative financial instruments		105,421	551,514	105,421	318,602
Changes in operating assets and liabilities:					
Statutory reserves at Central Bank		(1,110,854)	(5,071,528)	(2,540,295)	(5,121,157)
Pledged assets included in due from other banks		1,730,167	683,526	(49,465)	2,463,158
Restricted cash included in due from other banks		(1,272,580)	(431,085)	(1,272,580)	(431,085)
Reverse repurchase agreements		2,300,240	1,030,539	-	-
Loans and advances		(10,300,451)	(30,335,725)	(17,891,206)	(27,907,627)
Customer deposits		25,385,800	31,462,934	36,374,572	37,178,339
Repurchase agreements		17,441,943	31,067,329	16,192,540	11,445,719
Other		(16,098,471)	4,871,074	(10,282,177)	3,398,428
Interest received		(18,854,190)	(8,561,516)	(12,291,748)	(16,389,507)
Interest paid		80,728,647	70,966,391	65,938,128	55,246,959
Income tax paid		(30,203,434)	(23,864,632)	(17,892,319)	(14,407,229)
		(2,633,576)	(567,001)	(15,209,667)	(5,978,720)
Net cash provided by operating activities		29,037,447	37,973,242	20,544,394	18,471,503
		35,149,885	47,297,417	29,854,040	26,185,766

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
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
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 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

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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.

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

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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.

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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			Fair value of collateral held
	2024			
	Gross exposure	Impairment allowance	Carrying amount	
	\$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			Fair value of collateral held
	2023			
	Gross exposure	Impairment allowance	Carrying amount	
	\$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

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)

(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>

National Commercial Bank Jamaica Limited

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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 \$'000	2023 \$'000	2024 \$'000	2023 \$'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	478,874,997	474,645,831	466,864,695	456,494,935
Less: provision for credit losses	(12,070,891)	(10,497,994)	(11,439,324)	(10,185,931)
Net	466,804,106	464,147,837	455,425,371	446,309,004

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

	The Group		The Bank	
	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'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
	83,673,244	140,139,283	72,394,868	121,988,387

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
<i>Credit risk exposures relating to on- statement of financial position assets:</i>				
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>
<i>Credit risk exposures relating to off- statement of financial position items:</i>				
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>

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39. Financial Risk Management (Continued)

(a) Credit risk (continued)

Credit exposures

(i) Loans

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

	The Group		The Bank	
	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	478,874,997	474,645,831	466,864,695	456,494,935
Expected credit losses (ECL)	(12,070,891)	(10,497,994)	(11,439,324)	(10,185,931)
Interest receivable	466,804,106	464,147,837	455,425,371	446,309,004
Net	467,468,958	465,296,454	455,961,397	447,196,844

(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
	519,547,923	512,366,493	272,316,568	262,398,309
Interest receivable	6,557,750	6,621,091	3,463,013	3,367,415
ECL	(66,060)	(85,814)	(65,626)	(85,561)
	526,039,613	518,901,770	275,713,955	265,680,163

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

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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

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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

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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	
	\$000	\$000	\$000	\$000	\$000	
DEBT SECURITIES						
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	
	\$000	\$000	\$000	\$000	\$000	
DEBT SECURITIES						
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	

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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

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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

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39. Financial Risk Management (Continued)

(a) Credit risk (continued)

Maximum exposure to credit risk (continued)

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

	The Group				
	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

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39. Financial Risk Management (Continued)

(a) Credit risk (continued)

Maximum exposure to credit risk (continued)

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

	The Group				
	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

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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

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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	
DEBT SECURITIES						
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	
	\$000	\$000	\$000	\$000	\$000	
DEBT SECURITIES						
Risk rating						
Low	2,243	-	-	-	2,243	
Medium	36,270	79,667	-	-	115,937	
Loss allowance	38,513	79,667	-	-	118,180	

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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

National Commercial Bank Jamaica Limited

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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

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

39. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loss allowance (continued)

	The Group				Total
	2024				
	ECL staging				
Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit- impaired		
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

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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
LOANS AND ADVANCES					
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				
	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	-	-	-	-	-

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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

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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

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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

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

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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

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39. Financial Risk Management (Continued)

(a) Credit risk (continued)

Sensitivity analysis

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

The Group			
2024			
Impact on ECL			
Financial Assets	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			
Impact on ECL			
Financial Assets	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

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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		
	2024		
	Impact on ECL		
	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
Financial Assets	The Bank		
	2023		
	Impact on ECL		
	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

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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.

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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					Total \$'000
	Within 1 Month \$'000	2 to 3 Months \$'000	4 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'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
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

National Commercial Bank Jamaica Limited

Notes to the Financial Statements

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39. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Cash flows of financial liabilities (continued)

	The Bank					
	Within 1 Month	2 to 3 Months	4 to 12 Months	1 to 5 Years	Over 5 Years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'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	2 to 3 Months	4 to 12 Months	1 to 5 Years	Over 5 Years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'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>

National Commercial Bank Jamaica Limited

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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					Total \$'000
	JMD\$ \$'000	US\$ \$'000	GBP\$ \$'000	CAN\$ \$'000	Other \$'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 Bank					Total
	J\$	US\$	GBP	CAN\$	Other	
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

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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					Total \$'000
	J\$ \$'000	US\$ \$'000	GBP \$'000	CAN\$ \$'000	Other \$'000	
September 30, 2023						
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

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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.

Currency:	% 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
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.

National Commercial Bank Jamaica Limited

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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 \$'000
	Within 1 Month \$'000	2 to 3 Months \$'000	4 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	Non- Interest Bearing \$'000	
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	

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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 \$'000
	Within 1 Month \$'000	2 to 3 Months \$'000	4 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	Non- Interest Bearing \$'000	
September 30, 2023							
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	-

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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	29,581,681
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	

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

National Commercial Bank Jamaica Limited

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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	-	-

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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)

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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)

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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	-

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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

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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.

National Commercial Bank Jamaica Limited

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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.

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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.

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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

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40. Fair Values of Financial Instruments (Continued)

	The Group			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'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

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40. Fair Values of Financial Instruments (Continued)

	The Bank			
	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	-	26,902,397	-	26,902,397
Other government securities	-	68,427,110	-	68,427,110
Corporate debt securities	-	-	4,455,970	4,455,970
	-	95,329,507	4,455,970	99,785,477
<i>Investment securities at fair value through profit or loss</i>				
Quoted & unquoted equity securities	-	-	18,255	18,255
	-	-	18,255	18,255
	-	95,329,507	4,474,225	99,803,732
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
	-	71,288,374	4,861,259	76,149,633
<i>Investment securities at fair value through profit or loss</i>				
Quoted & unquoted equity securities	-	-	18,255	18,255
	-	-	18,255	18,255
	-	71,288,374	4,879,514	76,167,888

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	4,474,225	4,879,514

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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.

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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:

- a) 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.
- b) 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.

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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

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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

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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	<u>(1,490,154)</u>	<u>(273,036)</u>	<u>(927,983)</u>
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	<u>(1,220,269)</u>	<u>(249,160)</u>	<u>(875,853)</u>
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
	1,147,502	1,136,430

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	1,163,296	1,179,275

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.

National Commercial Bank Jamaica Limited

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).

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
	671,345,879	-	671,345,879	(233,915,922)	-	(4,070,065)	433,359,892
2023							
Assets							
Cash resources	121,032,415	-	121,032,415	-	(2,315,634)	(4,296,000)	114,420,781
Financial investments	537,377,841	-	537,377,841	(262,624,450)	-	(1,474,357)	273,279,034
	658,410,256	-	658,410,256	(262,624,450)	(2,315,634)	(5,770,357)	387,699,815

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 \$'000	Gross amounts set off on the balance sheet \$'000	Net amounts of financial assets presented on the balance sheet \$'000	Impact of master netting agreements \$'000	Cash collateral \$'000	Financial instrument s collateral \$'000	Net amounts \$'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>-</u>	<u>396,695,436</u>	<u>(134,871,400)</u>	<u>-</u>	<u>(4,070,065)</u>	<u>257,753,971</u>
2023							
Assets							
Cash resources	109,355,482	-	109,355,482	-	(2,315,634)	(2,516,368)	104,523,480
Financial investments	265,698,418	-	265,698,418	(140,578,021)	-	(1,308,562)	123,811,835
	<u>375,053,900</u>	<u>-</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>

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 \$'000	Gross amounts set off on the balance sheet \$'000	Net amounts of financial assets presented on the balance sheet \$'000	Impact of master netting agreements \$'000	Cash collateral \$'000	Financial instruments collateral \$'000	Net amounts \$'000
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							
Liabilities							
Repurchase agreements	277,983,070	-	277,983,070	(262,624,450)	-	-	15,358,620
Obligations under securitisation agreements	98,195,007	-	98,195,007	-	(2,315,634)	-	95,879,373
	<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 \$'000	Gross amounts set off on the balance sheet \$'000	Net amounts of financial assets presented on the balance sheet \$'000	Impact of master netting agreements \$'000	Cash collateral \$'000	Financial instruments collateral \$'000	Net amounts \$'000
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>192,367,657</u>	<u>(134,871,400)</u>	<u>-</u>	<u>-</u>	<u>57,496,257</u>
2023							
Liabilities							
Repurchase agreements	82,698,221	-	82,698,221	(140,578,021)	-	-	(57,879,800)
Obligations under securitisation agreements	98,195,007	-	98,195,007	-	(2,315,634)	-	95,879,373
	<u>180,893,228</u>		<u>180,893,228</u>	<u>(140,578,021)</u>	<u>(2,315,634)</u>	<u>-</u>	<u>37,999,573</u>

FINANCIAL STATEMENTS - NOTES TO THE FINANCIAL STATEMENTS

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

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>

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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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