

# **NCB Merchant Bank (Trinidad and Tobago) Limited**

Financial Statements

30 September 2023

*(Expressed in Trinidad and Tobago Dollars)*

# **NCB Merchant Bank (Trinidad and Tobago) Limited**

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# NCB Merchant Bank (Trinidad and Tobago) Limited

## Statement of Management's Responsibilities

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The Financial Institutions Act, 2008 (The Act), requires that management prepare and acknowledge responsibility for the following:

- Preparing and fairly presenting the accompanying financial statements of NCB Merchant Bank (Trinidad and Tobago) Limited (the Company) which comprise the statement of financial position as at 30 September 2023, the income statement, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and significant accounting policies and other explanatory information;
- Ensuring that the Company keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Company's assets, detection/prevention of fraud, and the achievement of Company operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that complies with laws and regulations, including the Companies Act; and
- Using reasonable and prudent judgement in the determination of estimates.

In preparing these audited financial statements, management utilised International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.


Nothing has come to the attention of management to indicate that the Company will not remain a going concern for the next twelve months from the reporting date; or up to the date the accompanying financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.



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Chief Executive Officer  
11 December 2023



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Head Of Finance  
11 December 2023



## Independent auditor's report

To the shareholder of NCB Merchant Bank (Trinidad and Tobago) Limited

### Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of NCB Merchant Bank (Trinidad and Tobago) Limited (the Company) as at 30 September 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### *What we have audited*

The Company's financial statements comprise:

- the income statement for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of financial position as at 30 September 2023;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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### Basis for opinion

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

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

### *Independence*

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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## **Auditor's responsibilities for the audit of the financial statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



Port of Spain  
Trinidad, West Indies  
11 December 2023

# NCB Merchant Bank (Trinidad and Tobago) Limited

## Income Statement

(Expressed in Trinidad and Tobago Dollars)

|   | Notes | Year ended<br>30 September |                     |
|---|-------|----------------------------|---------------------|
|   |       | 2023<br>\$                 | 2022<br>\$          |
| <b>Operating income</b>                                 |       |                            |                     |
| Interest income   |       | 68,184,172                 | 52,241,378          |
| Interest expense  |       | <u>(45,625,135)</u>        | <u>(33,921,585)</u> |
| Net interest income                                     | 4     | <u>22,559,037</u>          | <u>18,319,793</u>   |
| Fee and commission income                               | 5     | <u>12,517,699</u>          | <u>18,487,076</u>   |
| Net gains on foreign currency and investment activities | 6     | 10,582,270                 | 32,580,861          |
| Dividend income   |       | 43,385                     | 64,543              |
| Net impairment gains on investment securities           |       | 352,929                    | 111,695             |
| Net impairment losses on loans                          | 14    | (588,309)                  | (338,376)           |
| Other operating income                                  |       | <u>156,511</u>             | <u>19,105</u>       |
|   |       | <u>10,546,786</u>          | <u>32,437,828</u>   |
| <b>Net operating income</b>                             |       | <u>45,623,522</u>          | <u>69,244,697</u>   |
| <b>Operating expenses</b>                               |       |                            |                     |
| Staff costs   | 7     | 9,302,411                  | 13,423,046          |
| Other operating expenses                                | 8     | 9,605,635                  | 8,795,474           |
| Depreciation and amortisation                           |       | 1,104,759                  | 1,566,000           |
| Finance cost  | 17    | <u>99,879</u>              | <u>58,970</u>       |
|   |       | <u>20,112,684</u>          | <u>23,843,490</u>   |
| <b>Profit before taxation</b>                           |       | 25,510,838                 | 45,401,207          |
| Taxation  | 9     | <u>(5,074,607)</u>         | <u>(13,006,424)</u> |
| <b>Profit for the year</b>                              |       | <u>20,436,231</u>          | <u>32,394,783</u>   |

The notes on pages 9 to 54 are an integral part of these financial statements.

# NCB Merchant Bank (Trinidad and Tobago) Limited

## Statement of Comprehensive Income

(Expressed in Trinidad and Tobago Dollars)

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|  | Year ended<br>30 September |                     |
|--|----------------------------|---------------------|
|  | 2023                       | 2022                |
|  | \$                         | \$                  |
| <b>Profit for the year</b>   | 20,436,231                 | 32,394,783          |
| <b>Other comprehensive income/(loss), net of tax</b>   |                            |                     |
| <b>Items that may be reclassified to profit or loss</b>  |                            |                     |
| Expected credit losses on debt instruments as<br>fair value through other comprehensive income (FVOCI) | (354,103)                  | (111,695)           |
| Net gains/(losses) on investments in<br>debt instruments measured at FVOCI                             | <u>10,881,429</u>          | <u>(13,121,726)</u> |
|  | <u>10,527,326</u>          | <u>(13,233,421)</u> |
| <b>Total comprehensive income</b>  | <u>30,963,557</u>          | <u>19,161,362</u>   |

The notes on pages 9 to 54 are an integral part of these financial statements.

# NCB Merchant Bank (Trinidad and Tobago) Limited

## Statement of Financial Position

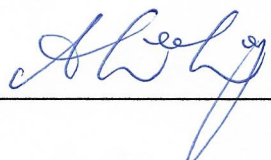
(Expressed in Trinidad and Tobago Dollars)

|   | Notes | As at<br>30 September       |                             |
|---|-------|-----------------------------|-----------------------------|
|   |       | 2023<br>\$                  | 2022<br>\$                  |
| <b>Assets</b>   |       |                             |                             |
| Cash in hand and balances at Central Bank               | 10    | 62,280,994                  | 65,544,503                  |
| Due from other banks                                    |       | 117,386,505                 | 383,210,483                 |
| Reverse repurchase agreements                           | 11    | 25,045,497                  | 35,000,000                  |
| Investment securities                                   | 12    | 285,433,254                 | 126,044,705                 |
| Pledged assets  | 13    | 753,011,996                 | 517,785,133                 |
| Loans and advances, net of provisions for credit losses | 14    | 485,183,861                 | 409,861,695                 |
| Intangible assets                                       | 15    | 4,094,721                   | 4,603,909                   |
| Property and equipment                                  | 16    | 75,367                      | 30,123                      |
| Right-of-use asset                                      | 17    | 726,300                     | 1,294,713                   |
| Deferred income tax asset                               | 18    | 1,070,744                   | 3,233,690                   |
| Income tax recoverable                                  |       | 5,219,093                   | 1,815,646                   |
| Other assets  | 19    | <u>5,835,792</u>            | <u>19,489,909</u>           |
| <b>Total assets</b>                                     |       | <u><u>1,745,364,124</u></u> | <u><u>1,567,914,509</u></u> |
| <b>Liabilities</b>                                      |       |                             |                             |
| Customer deposits                                       | 20    | 860,743,339                 | 923,886,525                 |
| Repurchase agreements                                   | 21    | 667,431,947                 | 453,237,575                 |
| Income tax payable                                      |       | --                          | 399,107                     |
| Dividend payable  | 30    | 6,479,000                   | --                          |
| Deferred income tax liability                           | 18    | 1,859,736                   | --                          |
| Lease liabilities                                       | 17    | 1,038,561                   | 1,676,284                   |
| Other liabilities                                       | 22    | <u>24,425,295</u>           | <u>29,813,329</u>           |
| <b>Total liabilities</b>                                |       | <u><u>1,561,977,878</u></u> | <u><u>1,409,012,820</u></u> |
| <b>Equity</b>   |       |                             |                             |
| Share capital   | 23    | 82,921,789                  | 82,921,789                  |
| Fair value reserve                                      | 24    | 4,742,653                   | (5,784,673)                 |
| Statutory reserve fund                                  | 25    | 19,136,179                  | 17,092,556                  |
| Retained earnings                                       |       | <u>76,585,625</u>           | <u>64,672,017</u>           |
| <b>Total equity</b>                                     |       | <u><u>183,386,246</u></u>   | <u><u>158,901,689</u></u>   |
| <b>Total equity and liabilities</b>                     |       | <u><u>1,745,364,124</u></u> | <u><u>1,567,914,509</u></u> |

The notes on pages 9 to 54 are an integral part of these financial statements.

Approved for issue by the Board of Directors 4 December 2023 and signed on its behalf by:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director



# NCB Merchant Bank (Trinidad and Tobago) Limited

## Statement of Changes in Equity

(Expressed in Trinidad and Tobago Dollars)

|  | Note | Share capital<br>\$ | Fair value reserve<br>\$ | Statutory reserve fund<br>\$ | Retained earnings<br>\$ | Total<br>\$        |
|--|------|---------------------|--------------------------|------------------------------|-------------------------|--------------------|
| <b>Balance at 1 October 2021</b>                             |      | 82,921,789          | 7,448,748                | 13,853,077                   | 35,516,713              | 139,740,327        |
| Profit for the year  |      | --                  | --                       | --                           | 32,394,783              | 32,394,783         |
| Other comprehensive income                                   |      | --                  | (13,233,421)             | --                           | --                      | (13,233,421)       |
| Total comprehensive income for the year                      |      | --                  | (13,233,421)             | --                           | 32,394,783              | 19,161,362         |
| Transfer to statutory reserve fund                           | 25   | --                  | --                       | 3,239,479                    | (3,239,479)             | --                 |
| <b>Balance at 30 September 2022</b>                          |      | <u>82,921,789</u>   | <u>(5,784,673)</u>       | <u>17,092,556</u>            | <u>64,672,017</u>       | <u>158,901,689</u> |
| <b>Balance at 1 October 2022</b>                             |      | 82,921,789          | (5,784,673)              | 17,092,556                   | 64,672,017              | 158,901,689        |
| Profit for the year  |      | --                  | --                       | --                           | 20,436,231              | 20,436,231         |
| Other comprehensive income                                   |      | --                  | 10,527,326               | --                           | --                      | 10,527,326         |
| Total comprehensive income for the year                      |      | --                  | 10,527,326               | --                           | 20,436,231              | 30,963,557         |
| Transfer to statutory reserve fund                           | 25   | --                  | --                       | 2,043,623                    | (2,043,623)             | --                 |
| <b>Transactions with owners in their capacity as owners:</b> |      |                     |                          |                              |                         |                    |
| Dividends declared to company's shareholders                 | 30   | --                  | --                       | --                           | (6,479,000)             | (6,479,000)        |
| <b>Balance at 30 September 2023</b>                          |      | <u>82,921,789</u>   | <u>4,742,653</u>         | <u>19,136,179</u>            | <u>76,585,625</u>       | <u>183,386,246</u> |

The notes on pages 9 to 54 are an integral part of these financial statements.

# NCB Merchant Bank (Trinidad and Tobago) Limited

## Statement of Cash Flows

(Expressed in Trinidad and Tobago Dollars)

|   | Notes | Year ended<br>30 September |                    |
|---|-------|----------------------------|--------------------|
|   |       | 2023<br>\$                 | 2022<br>\$         |
| <b>Cash flows from operating activities</b>   |       |                            |                    |
| Net profit  |       | 20,436,231                 | 32,394,783         |
| Adjustments to reconcile net profit to<br>net cash provided by operating activities | 26    | <u>72,892,115</u>          | <u>128,580,149</u> |
| Net cash provided by operating activities   |       | <u>93,328,346</u>          | <u>160,974,932</u> |
| <b>Cash flows from investing activities</b>   |       |                            |                    |
| Acquisition of property and equipment   | 16    | (59,776)                   | (16,500)           |
| Acquisition of intangible assets - computer software                                | 15    | --                         | (2,109,456)        |
| Purchases of investment securities  |       | (1,623,714,301)            | (393,399,388)      |
| Proceeds from sales/maturities of investment securities                             |       | <u>1,252,056,365</u>       | <u>406,847,258</u> |
| Net cash (used in)/provided by investing activities                                 |       | <u>(371,717,712)</u>       | <u>11,321,914</u>  |
| <b>Cash flows from financing activities</b>   |       |                            |                    |
| Principal elements of lease payments  |       | <u>(652,624)</u>           | <u>(310,928)</u>   |
| <b>Net (decrease)/increase in cash and cash equivalents</b>                         |       | (279,041,990)              | 171,985,918        |
| <b>Cash and cash equivalents at beginning of period</b>                             |       | <u>483,754,986</u>         | <u>311,769,068</u> |
| <b>Cash and cash equivalents at end of period</b>                                   |       | <u>204,712,996</u>         | <u>483,754,986</u> |
| <b>Comprising:</b>  |       |                            |                    |
| Cash in hand and balances at Central Bank   | 10    | 62,280,994                 | 65,544,503         |
| Due from other banks  |       | 117,386,505                | 383,210,483        |
| Reverse repurchase agreements   |       | <u>25,045,497</u>          | <u>35,000,000</u>  |
|   |       | <u>204,712,996</u>         | <u>483,754,986</u> |

The notes on pages 9 to 54 are an integral part of these financial statements.

# NCB Merchant Bank (Trinidad and Tobago) Limited

## Notes to the Financial Statements 30 September 2023

*(Expressed in Trinidad and Tobago Dollars)*

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### 1 Incorporation and business activities

NCB Merchant Bank (Trinidad and Tobago) Limited (formerly NCB Global Finance Limited and initially AIC Finance Limited) (the “Company”) was incorporated in the Republic of Trinidad and Tobago on 5 November 1982, and commenced operations in January 1983. Effective 11 August 1993, the Company was licensed under the Financial Institutions Act 1993 as a financial institution. On 26 August 2003, the Company’s application for a merchant bank’s licence was approved by the Central Bank of Trinidad and Tobago (CBTT), thereby authorising the Company to conduct the additional activity of foreign exchange dealing.

On 13 December 2013, NCB Capital Markets Limited (the “Parent”) acquired 100% of the shareholding of AIC Finance Limited from AIC Financial Group Limited (AICFG). NCB Capital Markets Limited is a 100% owned subsidiary of National Commercial Bank Jamaica Limited (“the Bank”). The Bank is a wholly owned subsidiary of NCB Financial Group Limited, a company incorporated and domiciled in Jamaica. NCB Financial Group Limited is a 55.54% subsidiary of AIC (Barbados) Limited. The ultimate parent company is Portland Holdings Inc. incorporated in Canada and controlled by Hon. Michael A. Lee-Chin, OJ, Chairman of the Bank.

Shares in NCB Financial Group Limited are listed on the Jamaica Stock Exchange and the Trinidad and Tobago Stock Exchange.

NCB Merchant Bank (Trinidad and Tobago) Limited is authorised to carry on the following classes of business: finance company, confirming house/acceptance house, leasing corporation, mortgage institution, merchant bank, trust company, unit trust and financial services.

In January 2016, the Company was issued a Broker-Dealer license from the Trinidad and Tobago Securities and Exchange Commission which allows the Company to conduct the following activities:

- (1) Broker-Dealer as agent;
- (2) Broker-Dealer as principal;
- (3) Investment adviser and
- (4) Underwriter.

In July 2018, the CBTT granted approval for the Company to be included in the group of Second Tier Primary Dealers. This allows the Company to participate in up to 50% of the Open Market Operations (OMO) auctions staged by the CBTT in its efforts to manage liquidity in the Banking system.

In April 2021, the Company rebranded from NCB Global Finance Limited to NCB Merchant Bank (Trinidad and Tobago) Limited.

In June 2021, the Company gained membership to the Trinidad and Tobago Stock Exchange (TTSE) making the Company the seventh equity brokerage firm in Trinidad and Tobago.

The Company’s registered office is located at 6th Floor, Newtown Centre, 30-36 Maraval Road, Port-Of-Spain, Trinidad and Tobago.

# NCB Merchant Bank (Trinidad and Tobago) Limited

## Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

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### 2 Significant accounting policies

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

#### a. *Basis of preparation*

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB). These financial statements have been prepared under the historical cost convention, as modified by the measurement of certain financial assets measured at fair value.

The Company has prepared these financial statements to file with The Central Bank of Trinidad and Tobago in accordance with The Financial Institutions Act, 2008.

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

#### (i) *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 Company has assessed the relevance of all such new interpretations and amendments, and has adopted the following, which are relevant to its operations:

- **Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16.** (effective for annual periods beginning on or after 1 January 2022) The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

# NCB Merchant Bank (Trinidad and Tobago) Limited

## Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

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### 2 Significant accounting policies (continued)

#### a. Basis of preparation (continued)

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

- Reference to the Conceptual Framework – Amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2022). Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and to add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.
- Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37 (effective for annual periods beginning on or after 1 January 2022). The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.
- Annual Improvements to IFRS Standards 2018–2020 (effective for annual periods beginning on or after 1 January 2022). The following improvements were finalised in May 2020:
  - IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
  - IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.
  - IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent’s books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

The amendments listed above did not have any impact to the Company.

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

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which are not effective at the date of the statement of financial position, and which the Company has not early adopted.

# NCB Merchant Bank (Trinidad and Tobago) Limited

## Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

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### 2 Significant accounting policies (continued)

#### a. Basis of preparation (continued)

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

- Classification of Liabilities as Current or Non-current – Amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2024) The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS (effective for annual periods beginning on or after 1 January 2023) Practice Statement 2 The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' 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 Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.
- Definition of Accounting Estimates – Amendments to IAS 8 (effective for annual periods beginning on or after 1 January 2023) The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors 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.

# NCB Merchant Bank (Trinidad and Tobago) Limited

## Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

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### 2 Significant accounting policies (continued)

#### a. Basis of preparation (continued)

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

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 (effective for annual periods beginning on or after 1 January 2023) The amendments to IAS 12 Income Taxes 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. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.

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

#### b. Foreign currency translation

##### (i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Trinidad and Tobago dollars, which is the functional and presentation currency.

##### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Translation differences on non-monetary items, such as equities held at fair value through the profit or loss are reported as part of the fair value gain or loss.

# NCB Merchant Bank (Trinidad and Tobago) Limited

## Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

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### 2 Significant accounting policies (continued)

#### c. *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and demand deposits, as well as short-term, highly liquid assets that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### d. *Financial assets*

##### (i) *Business model assessment*

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

- How the performance and risks of a portfolio of assets is managed, evaluated and reported to key management and how the managers of the portfolio are compensated;
- How the Company 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;
- The historical and future expectations of asset sales within a portfolio.

The Company 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.

##### (ii) *Solely repayments of principal and interest ("SPPI")*

Where the business model is to collect or, to collect and sell a financial instruments' contractual cash flows, the Company assesses whether those cash flows represent solely payments of principal and interest. In making this assessment, the Company 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 fair value through profit or loss.

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.

##### (iii) *Equity instruments*

The Company 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.



# NCB Merchant Bank (Trinidad and Tobago) Limited

## Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

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### 2 Significant accounting policies (continued)

#### d. *Financial assets (continued)*

##### (iv) *Debt instruments*

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

- (a) the Company's business model for managing the asset; and
- (b) the cash flow characteristics of the asset.

##### (v) *Initial recognition*

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

##### (vi) *De-recognition*

The Company 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 Company 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 Company is recognised as a separate asset or liability in the 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 Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

##### (vii) *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 Company 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:

- fair value through profit or loss ("FVPL") or
- fair value through other comprehensive income ("FVOCI")

# NCB Merchant Bank (Trinidad and Tobago) Limited

## Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

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### 2 Significant accounting policies (continued)

#### d. Financial assets (continued)

##### (vii) Classification of financial assets (continued)

###### *Financial assets measured at fair value through profit or 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.
- The financial instrument is a derivative that is not designated as a hedge.

###### *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 are solely payments of principal and interest 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 foreign exchange income and impairment losses are presented as a separate line item in the statement of comprehensive income.

##### (viii) Impairment of financial assets

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

At initial recognition, 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'.

# NCB Merchant Bank (Trinidad and Tobago) Limited

## Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

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### 2 Significant accounting policies (continued)

#### d. Financial assets (continued)

##### (viii) Impairment of financial assets (continued)

To determine whether the life-time credit risk has increased significantly since initial recognition, the Company 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.

##### *Definition of default*

The Company 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-off*

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

##### *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;
- 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.

# NCB Merchant Bank (Trinidad and Tobago) Limited

## Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

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### 2 Significant accounting policies (continued)

#### d. Financial assets (continued)

##### (viii) Impairment of financial assets (continued)

###### *Recognition and measurement of ECL (continued)*

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 exercised to experience gained through stress testing.

The exercise of judgement 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.

The measurement of expected credit losses 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 Company 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.

# NCB Merchant Bank (Trinidad and Tobago) Limited

## Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

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### 2 Significant accounting policies (continued)

#### d. Financial assets (continued)

##### *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 expected credit loss calculation have forecasts of the relevant macroeconomic variables. The estimation of expected credit losses 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 at 1 October 2022 and 30 September 2023 were as follows:

|           | <b>Base</b> | <b>Optimistic</b> | <b>Pessimistic</b> |
|-----------|-------------|-------------------|--------------------|
| Scenarios | 85%         | 5%                | 10%                |

Impairment on financial assets measured at amortised cost and FVOCI, recognise impairment gains and losses are recognised in the statement of profit or loss. Unrealised gains and losses arising from changes in fair value on FVOCI assets are measured in other comprehensive income and the loss allowance is recycled to profit or loss in the credit loss provision line. When the asset is sold, the cumulative gain or loss is reclassified to investment income and the impairment on these financial assets will be reversed to provision for credit losses in the profit and loss.

##### *Renegotiated loans*

Where possible, the Company seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur.

#### e. Assets leased to customers under finance leases

When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable and is reported on the statement of financial position in "loans and advances, net provisions for credit losses". The difference between the gross and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using net investment method before tax, which reflects a constant periodic rate of return.

# NCB Merchant Bank (Trinidad and Tobago) Limited

## Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

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### 2 Significant accounting policies (continued)

#### f. *Offsetting financial instruments*

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

#### g. *Property and equipment*

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Depreciation is calculated on the straight line basis at annual rates that will write off the carrying value of each asset over the period of its expected useful life.

The expected useful life of the assets are as follows:

Furniture, equipment and motor vehicles - 5 years

Leasehold Improvements – period of lease

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within net trading gain/loss in the income statement.

#### h. *Financial Liabilities*

The company's financial liabilities comprise primarily customer deposits and repurchase agreements and other liabilities. These financial liabilities are measured at amortised cost.

#### i. *Intangible assets*

Computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight line basis at annual rates that will write off the carrying value of the asset over its expected useful life. The expected useful life for computer software is 3 - 10 years.

#### j. *Borrowings*

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

# NCB Merchant Bank (Trinidad and Tobago) Limited

## Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

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### 2 Significant accounting policies (continued)

k. *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 repurchase/resale price is treated as interest and accrued over the life of the agreements using the effective interest method.

l. *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.

See Note 2 d (viii) for details of provision for credit losses determined under the requirements of IFRS 9.

m. *Share capital*

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax. Incremental costs directly attributable to the issue of equity instruments as consideration for the acquisition of a business are included in the cost of acquisition.

n. *Provisions*

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligation as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

o. *Income tax*

(i) *Current income tax*

Income tax payable (receivable) is calculated on the basis of the applicable tax law in Trinidad and Tobago and is recognised as an expense (income) for the period except to the extent that current tax related to items that are charged or credited in other comprehensive income or directly to equity. In these circumstances, current tax is charged or credited to other comprehensive income or to equity (for example, current tax on unrealised gains on investment securities at fair value through other comprehensive income).

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation.

# NCB Merchant Bank (Trinidad and Tobago) Limited

## Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

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### 2 Significant accounting policies (continued)

p. *Income tax*

(ii) *Deferred income tax*

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. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from accelerated tax depreciation, revaluation of financial assets and tax losses carried forward.

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

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

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.

q. *Interest income and expenses*

Interest income and expense for all interest-bearing financial instruments are recognised within "interest income" and "interest expense" in the income statement using the effective interest method.

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 and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or where appropriate, a shorter period to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company estimates cash flows considering all 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.

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

r. *Fees and commissions*

*Arrangement fees*

Commission and fees arising from negotiating, or participating in the negotiation of a transaction for a third party – such as the acquisition of loans, shares of other financial assets or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised over the period the service is provided.



# NCB Merchant Bank (Trinidad and Tobago) Limited

## Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

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### 2 Significant accounting policies (continued)

r. *Fees and commissions (continued)*

*Origination fees*

Fees relating to the creation or acquisition of a financial asset other than under IAS 39 classified as a financial asset 'at fair value through profit or loss' are amortised over the expected life of the instrument using the effective interest rate method.

s. *Dividend income*

Dividends are recognised in the income statement in "dividend income" when the Company's right to receive payment is established.

t. *Leases*

The Company leases building space. The lease is made for a fixed period of 2 years with an extension option of 2 years.

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 Company.

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 Company under residual value guarantees
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

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

# NCB Merchant Bank (Trinidad and Tobago) Limited

## Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

### 3 Critical accounting estimates and judgements

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

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and assumptions are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events.

Accounting policies and management's judgements for certain items are especially critical for the Company's results and financial situation due to their materiality.

#### a. *Income and deferred income taxes*

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

The Company recognises deferred tax assets on temporary differences from accelerated tax depreciation, revaluation of financial assets .

#### b. *Impairment losses*

In determining amounts recorded for impairment losses in the financial statements, management makes judgements as to whether there are any observable data indicating that there is a measurable decrease in the estimated future cash flows from financial assets. The evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers, or national or local economic conditions that correlate with defaults on assets.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed to reduce any differences between loss estimates and actual loss experience.

#### c. *Fair value of financial assets*

The fair value of financial assets where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated using models. These models are validated and periodically reviewed by independent qualified personnel. See Note 28 for further details.

### 4 Net interest income

|   | 2023              | 2022              |
|---|-------------------|-------------------|
|   | \$                | \$                |
| <i>Interest income</i>                          |                   |                   |
| Loans and advances                              | 25,090,286        | 20,206,033        |
| Investment securities                           |                   |                   |
| - Fair value through other comprehensive income | 42,942,374        | 32,010,721        |
| Deposits and other                              | 69,363            | 15,504            |
| Reverse repurchase agreements                   | 82,149            | 9,120             |
|   | <u>68,184,172</u> | <u>52,241,378</u> |

# NCB Merchant Bank (Trinidad and Tobago) Limited

## Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

| 4 | <b>Net interest income (continued)</b>  | <b>2023</b>         | <b>2022</b>         |
|---|---|---------------------|---------------------|
|   |   | <b>\$</b>           | <b>\$</b>           |
|   | <i>Interest expense</i>   |                     |                     |
|   | Customer deposits   | (27,207,848)        | (26,621,890)        |
|   | Repurchase agreements   | (17,145,611)        | (7,299,695)         |
|   | Short term loan   | <u>(1,271,676)</u>  | <u>--</u>           |
|   |   | <u>(45,625,135)</u> | <u>(33,921,585)</u> |
|   | Net interest income   | <u>22,559,037</u>   | <u>18,319,793</u>   |
| 5 | <b>Fee and commission income</b>  |                     |                     |
|   | Arrangement fees  | 10,955,648          | 16,472,071          |
|   | Broker fees   | 1,085,103           | 1,547,761           |
|   | Registrar, trustee and paying agent fees  | 321,520             | 266,724             |
|   | Loan commitment fees  | 85,510              | 111,380             |
|   | Other fees  | <u>69,918</u>       | <u>89,140</u>       |
|   |   | <u>12,517,699</u>   | <u>18,487,076</u>   |
| 6 | <b>Net gains on foreign currency and investment activities</b>  |                     |                     |
|   | Net foreign exchange gains  | 7,900,006           | 9,534,194           |
|   | Gains on investment securities:   |                     |                     |
|   | - Realised gain on debt securities  | 2,552,461           | 23,188,895          |
|   | - Realized gain on equity securities  | 242,457             | --                  |
|   | - Unrealised loss on equity securities  | <u>(112,654)</u>    | <u>(142,228)</u>    |
|   |   | <u>10,582,270</u>   | <u>32,580,861</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. |                     |                     |
| 7 | <b>Staff costs</b>  |                     |                     |
|   | Wages, salaries, allowances and benefits  | 8,995,457           | 13,140,675          |
|   | Payroll taxes   | <u>306,954</u>      | <u>282,371</u>      |
|   |   | <u>9,302,411</u>    | <u>13,423,046</u>   |

# NCB Merchant Bank (Trinidad and Tobago) Limited

## Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

| 8  | <b>Other operating expenses</b>   | <b>2023</b>       | <b>2022</b>       |
|----|---|-------------------|-------------------|
|    |   | \$                | \$                |
|    | Marketing, advertising and donations  | 2,017,924         | 2,195,870         |
|    | Technical, consultancy and professional fees  | 1,515,278         | 1,485,536         |
|    | Insurance   | 1,520,001         | 1,179,848         |
|    | License and transaction processing fees   | 1,574,604         | 1,173,452         |
|    | Auditor's remuneration  | 675,577           | 533,790           |
|    | Service level agreement (IT Support)  | 524,167           | 524,506           |
|    | Travelling, courier and telecommunication   | 447,312           | 499,383           |
|    | Irrecoverable value added tax   | 402,765           | 459,159           |
|    | Other expenses  | 369,862           | 380,427           |
|    | Property maintenance and utilities  | 503,430           | 284,563           |
|    | Commissions   | 22,929            | 45,196            |
|    | Stationery  | 31,786            | 33,744            |
|    |   | <u>9,605,635</u>  | <u>8,795,474</u>  |
| 9  | <b>Taxation</b>   |                   |                   |
|    | Corporation tax   | 8,188,488         | 13,861,000        |
|    | Green fund levy   | 349,636           | 370,000           |
|    | Prior year over provision   | (2,822,729)       | (1,815,646)       |
|    | Deferred tax (Note 17)  | (640,788)         | 591,070           |
|    |   | <u>5,074,607</u>  | <u>13,006,424</u> |
|    | The tax on the profit before taxation differs from the theoretical amount that would arise using the basic tax rate as follows: |                   |                   |
|    | Profit before taxation  | <u>25,510,838</u> | <u>45,401,207</u> |
|    | Tax calculated at a tax rate of 30%   | 7,653,251         | 13,620,362        |
|    | Income not subject to tax   | (288,528)         | (139,802)         |
|    | Expenses not deductible for tax purposes  | 203,413           | 187,033           |
|    | Green fund levy   | 349,636           | 370,000           |
|    | Prior year over provision   | (2,822,729)       | (1,815,646)       |
|    | Prior year over/(under) provision - deferred tax  | (20,436)          | 784,477           |
|    |   | <u>5,074,607</u>  | <u>13,006,424</u> |
| 10 | <b>Cash in hand and balances at Central Bank</b>  |                   |                   |
|    | Statutory deposit with Central Bank of Trinidad and Tobago  | 62,251,920        | 65,508,210        |
|    | Cash in hand  | 29,074            | 36,293            |
|    |   | <u>62,280,994</u> | <u>65,544,503</u> |

The reserve account is non-interest bearing and is not available for investment, lending or other use by the Company. As per Section 57(1) of the Financial Institution's Act 2008, the Company is required to hold and maintain as a deposit with the Central Bank of Trinidad and Tobago, a cash reserve balance known as the reserve account, which shall bear a ratio to prescribed liabilities as stipulated by the Central Bank.

# NCB Merchant Bank (Trinidad and Tobago) Limited

## Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

### 11 Reverse repurchase agreement

The Company entered into a collateralised reverse repurchase agreement which may result in credit exposure in the event that the counterparty to the transaction is unable to fulfill its contractual obligations. The reverse repurchase agreement plus accrued interest receivable is \$25,045,497 (2022: \$35,000,000). At 30 September 2023, the Company held \$25,657,530 of a State owned bond (2022: \$36,400,000 of a Government of Trinidad and Tobago bond) as collateral for reverse repurchase agreements.

| 12 Investment securities                          | 2023                 | 2022                 |
|---|----------------------|----------------------|
|   | \$                   | \$                   |
| <b><u>Classified as FVPL</u></b>                  |                      |                      |
| Quoted and unquoted equity securities             |                      |                      |
| Gross carrying amount                             | 1,963,035            | 1,895,598            |
| ECL allowance                                     | <u>(108,504)</u>     | <u>(110,348)</u>     |
| Net carrying amount                               | <u>1,854,531</u>     | <u>1,785,250</u>     |
| <b><u>Classified as FVOCI</u></b>                 |                      |                      |
| Government of Trinidad and Tobago debt securities | 945,256,571          | 585,535,026          |
| Other government securities                       | 18,476,018           | 10,892,428           |
| Corporate debt securities                         | 56,832,814           | 35,010,827           |
| Interest receivable                               | <u>16,025,316</u>    | <u>10,606,307</u>    |
| Carrying amount                                   | <u>1,036,590,719</u> | <u>642,044,588</u>   |
| Total investment securities                       | <u>1,038,445,250</u> | <u>643,829,838</u>   |
| Less: pledged assets (Note 13)                    | <u>(753,011,996)</u> | <u>(517,785,133)</u> |
| Amount reported in the financial statements       | <u>285,433,254</u>   | <u>126,044,705</u>   |
| Current portion                                   | 21,088,139           | 10,606,307           |
| Long term portion                                 | <u>264,345,115</u>   | <u>115,438,398</u>   |
|   | <u>285,433,254</u>   | <u>126,044,705</u>   |

### 13 Pledged assets

Investment securities classified as FVOCI pledged as collateral for:

|  |                    |                    |
|--|--------------------|--------------------|
| Repurchase agreements                                    | 695,499,159        | 473,684,576        |
| Letter of credit   | 3,500,638          | 3,483,642          |
| Overdraft facility                                       | 40,828,285         | 40,616,915         |
| Trinidad and Tobago Central Depository Euroclear account | <u>13,183,914</u>  | <u>--</u>          |
|  | <u>753,011,996</u> | <u>517,785,133</u> |

# NCB Merchant Bank (Trinidad and Tobago) Limited

## Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

### 14 Loans and advances, net of provisions for credit losses

|   | 2023<br>\$          | 2022<br>\$          |
|---|---------------------|---------------------|
| Instalment loans  | 414,850,979         | 340,813,353         |
| Finance leases  | 27,897,092          | 26,519,296          |
| Mortgage loans  | <u>38,740,395</u>   | <u>40,233,358</u>   |
| Gross loans and advances  | 481,488,466         | 407,566,007         |
| ECL allowance   | <u>(2,525,806)</u>  | <u>(739,379)</u>    |
|   | 478,962,660         | 406,826,628         |
| Interest receivable   | <u>6,221,201</u>    | <u>3,035,067</u>    |
|   | <u>485,183,861</u>  | <u>409,861,695</u>  |
| Current   | 57,334,843          | 48,524,843          |
| Non-current   | <u>427,849,018</u>  | <u>361,336,852</u>  |
|   | <u>485,183,861</u>  | <u>409,861,695</u>  |
| <i>Present value of minimum lease payments</i>  |                     |                     |
| Gross investment (future minimum lease payments)  | 52,194,208          | 47,937,738          |
| Future finance charges  | <u>(24,297,116)</u> | <u>(21,418,442)</u> |
| Present value of minimum lease payments   | <u>27,897,092</u>   | <u>26,519,296</u>   |
| <i>Finance leases</i>   |                     |                     |
| Not later than 1 year   | 3,147,587           | 4,997,861           |
| Later than 1 year and not later than 5 years  | 23,828,474          | 21,521,435          |
| Over 5 years  | <u>921,031</u>      | <u>--</u>           |
| Net investment in finance leases  | <u>27,897,092</u>   | <u>26,519,296</u>   |
| The movement in the provision for credit losses is as follows:  |                     |                     |
| Balance at beginning of year  | 739,379             | 401,003             |
| Net increase in provision during the year   | <u>1,786,427</u>    | <u>338,376</u>      |
| Balance at end of year  | <u>2,525,806</u>    | <u>739,379</u>      |
| Provision for impairment - specific   | 1,897,190           | 190,672             |
| Provision for impairment – expected credit loss   | <u>628,616</u>      | <u>548,707</u>      |
|   | <u>2,525,806</u>    | <u>739,379</u>      |
| <i>During the year, the following gains/(losses) were recognised in profit or loss in relation to impaired loans:</i> |                     |                     |
| Amounts recovered during the year   | 1,198,118           | --                  |
| Increase in provision during the year   | <u>(1,786,427)</u>  | <u>(338,376)</u>    |
|   | <u>(588,309)</u>    | <u>(338,376)</u>    |

# NCB Merchant Bank (Trinidad and Tobago) Limited

## Notes to the Financial Statements (continued)

**30 September 2023**

(Expressed in Trinidad and Tobago Dollars)

| 15 Intangible assets                 | Computer software |                  |
|--------------------------------------|-------------------|------------------|
|                                      | 2023<br>\$        | 2022<br>\$       |
| Net book amount at beginning of year | 4,603,909         | 3,329,359        |
| Additions                            | --                | 2,109,456        |
| Amortisation charge                  | (509,188)         | (834,906)        |
| Net book amount at end of year       | <u>4,094,721</u>  | <u>4,603,909</u> |
| Cost                                 | 11,069,907        | 11,069,907       |
| Accumulated amortisation             | (6,975,186)       | (6,465,998)      |
| Net book amount                      | <u>4,094,721</u>  | <u>4,603,909</u> |

## 16 Property and equipment

|                                 | Leasehold improvements<br>\$ | Furniture & equipment & motor vehicles<br>\$ | Total<br>\$   |
|---------------------------------|------------------------------|--|---------------|
| At Cost -                       |                              |  |               |
| <b>At 30 September 2021</b>     | --                           | 3,082,919                                    | 3,082,919     |
| Additions                       | --                           | 16,500                                       | 16,500        |
| <b>At 30 September 2022</b>     | --                           | 3,099,419                                    | 3,099,419     |
| Additions                       | 44,077                       | 15,699                                       | 59,776        |
| <b>At 30 September 2023</b>     | 44,077                       | 3,115,118                                    | 3,159,195     |
| <b>Accumulated depreciation</b> |                              |  |               |
| <b>At 30 September 2021</b>     | --                           | 3,059,475                                    | 3,059,475     |
| Charge for the year             | --                           | 9,821  | 9,821         |
| <b>At 30 September 2022</b>     | --                           | 3,069,296                                    | 3,069,296     |
| Charge for the year             | 4,408                        | 10,124                                       | 14,532        |
| <b>At 30 September 2023</b>     | 4,408                        | 3,079,420                                    | 3,083,828     |
| <b>Net book amount</b>          |                              |  |               |
| <b>30 September 2023</b>        | <u>39,669</u>                | <u>35,698</u>                                | <u>75,367</u> |
| <b>30 September 2022</b>        | <u>--</u>                    | <u>30,123</u>                                | <u>30,123</u> |

# NCB Merchant Bank (Trinidad and Tobago) Limited

## Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

### 17 Leases

This note provides information for the lease where the Company is a lessee.

Amounts recognised in the statement of financial position:

| <b>Right-of-use asset</b>                          | <b>2023</b>      | <b>2022</b>      |
|--|------------------|------------------|
|  | <b>\$</b>        | <b>\$</b>        |
| Building   | <u>726,300</u>   | <u>1,294,713</u> |
| <b>Lease liabilities</b>                           |                  |                  |
| Building   | <u>1,038,561</u> | <u>1,676,284</u> |
| Amounts recognised in statement of profit or loss: |                  |                  |
| <b>Depreciation charge of right-of-use assets</b>  |                  |                  |
| Building   | <u>581,040</u>   | <u>721,273</u>   |
| <b>Interest expense (included in finance cost)</b> | <u>99,879</u>    | <u>58,970</u>    |

### 18 Deferred income tax

|   |                    |                    |
|---|--------------------|--------------------|
| Net liability at beginning of year  | (3,233,690)        | 1,798,836          |
| Deferred tax (credit)/charge in the income statement (Note 9)                                     | (640,788)          | 591,070            |
| Deferred tax charge/(credit) on securities at fair value through other comprehensive income (OCI) | <u>4,663,470</u>   | <u>(5,623,596)</u> |
| Net deferred tax liability/(asset) at end of year   | <u>788,992</u>     | <u>(3,233,690)</u> |
| (Assets)/liabilities recognised on the statement of financial position are as follows:            |                    |                    |
| Deferred tax asset  | (1,070,744)        | (3,233,690)        |
| Deferred tax liability  | <u>1,859,736</u>   | <u>--</u>          |
| Net liability/(asset)   | <u>788,992</u>     | <u>(3,233,690)</u> |
| Deferred income tax assets:   |                    |                    |
| Accelerated depreciation  | (977,066)          | (315,485)          |
| Leases  | (93,678)           | (114,471)          |
| Investment securities – at fair value through profit and loss                                     | <u>--</u>          | <u>(2,803,734)</u> |
|   | <u>(1,070,744)</u> | <u>(3,233,690)</u> |
| Deferred income tax liabilities:  |                    |                    |
| Investment securities at fair value through OCI   | <u>1,859,736</u>   | <u>--</u>          |
| Net liability/(asset) at end of year  | <u>788,992</u>     | <u>(3,233,690)</u> |



# NCB Merchant Bank (Trinidad and Tobago) Limited

## Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

### 18 Deferred income tax (continued)

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

|  | 2023<br>\$       | 2022<br>\$       |
|--|------------------|------------------|
| Deferred tax assets to be recovered after more than 12 months    | <u>977,066</u>   | <u>429,956</u>   |
| Deferred tax liabilities to be settled after more than 12 months | <u>1,859,736</u> | <u>2,803,734</u> |

The amounts recognised in the income statement were due to:

|                              |                  |                |
|------------------------------|------------------|----------------|
| Accelerated tax depreciation | (661,581)        | 489,658        |
| Leases                       | <u>20,793</u>    | <u>101,412</u> |
|                              | <u>(640,788)</u> | <u>591,070</u> |

Deferred tax recognised in other comprehensive income was due to the following items:

|   |                  |                    |
|---|------------------|--------------------|
| Securities at fair value through other comprehensive income | <u>4,663,470</u> | <u>(5,623,596)</u> |
|---|------------------|--------------------|

### 19 Other assets

|                          | 2023<br>\$       | 2022<br>\$        |
|--------------------------|------------------|-------------------|
| Client balances          | 3,294,583        | 1,195,946         |
| Prepayments              | 1,323,924        | 1,135,073         |
| Vat recoverable          | 699,887          | 783,927           |
| Intercompany receivables | <u>517,398</u>   | <u>16,374,963</u> |
|                          | <u>5,835,792</u> | <u>19,489,909</u> |

### 20 Customer deposits

|                  |                    |                    |
|------------------|--------------------|--------------------|
| Deposit balances | 846,274,889        | 912,053,547        |
| Accrued interest | <u>14,468,450</u>  | <u>11,832,978</u>  |
|                  | <u>860,743,339</u> | <u>923,886,525</u> |

### 21 Repurchase agreements

The security pledged for the repurchase agreements were all Government of Trinidad and Tobago bonds with total market value plus accrued interest of \$695,499,159 (2022: \$ \$473,684,576) as per Note 12. The tenors of the agreements range from 90 days and 730 days.

### 22 Other liabilities

|                                  |                   |                   |
|----------------------------------|-------------------|-------------------|
| Client balances                  | 21,383,144        | 20,717,787        |
| Accrued staff benefits           | 1,742,092         | 6,377,296         |
| Accrued other operating expenses | 1,262,689         | 624,726           |
| Inter-company payables           | <u>37,370</u>     | <u>2,093,520</u>  |
|                                  | <u>24,425,295</u> | <u>29,813,329</u> |

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# NCB Merchant Bank (Trinidad and Tobago) Limited

## Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

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| 23 | Share capital                                 | 2023              | 2022              |
|----|---|-------------------|-------------------|
|    |   | \$                | \$                |
|    | Authorised                                    |                   |                   |
|    | An unlimited number of shares of no par value |                   |                   |
|    | Issued and fully paid                         |                   |                   |
|    | 92,698,531 ordinary shares of no par value    | <u>82,921,789</u> | <u>82,921,789</u> |

### 24 Fair value reserve

The fair value reserve represents the unrealised gains/(losses) on securities measured at FVOCI, the ECL allowances recognised in profit or loss with the respective deferred tax asset or liability.

### 25 Statutory reserve fund

The Financial Institutions Act, 2008 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.

# NCB Merchant Bank (Trinidad and Tobago) Limited

## Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

### 26 Adjustments to reconcile net profit to net cash provided by operating activities

|   | Notes | 2023<br>\$        | 2022<br>\$         |
|---|-------|-------------------|--------------------|
| Depreciation of property and equipment                                | 15    | 14,532            | 9,821              |
| Amortisation of intangible assets                                     | 14    | 509,188           | 834,906            |
| Depreciation right of use asset                                       | 16    | 581,040           | 721,273            |
| Net provision on credit losses  |       | 1,433,498         | 226,681            |
| Interest income   |       | (68,184,172)      | (52,241,378)       |
| Interest expense  |       | 45,625,135        | 33,921,585         |
| Income tax expense (Note 9)   |       | 5,074,607         | 13,006,424         |
| Unrealised revaluation exchange loss<br>on investments                |       | 666,106           | 547,281            |
| Net gain on disposal of financial assets                              |       | (2,794,919)       | (23,188,895)       |
| Loss on investment securities at fair value<br>through profit or loss |       | 112,654           | 142,228            |
| Changes in operating assets and liabilities:                          |       |                   |                    |
| Increase in loans and advances  |       | (73,922,460)      | (108,066,491)      |
| (Decrease)/increase in customer deposits                              |       | (65,778,657)      | 32,138,074         |
| Increase in repurchase agreements                                     |       | 210,549,391       | 291,232,613        |
| Decrease/(increase) in other assets                                   |       | 12,923,745        | (12,102,435)       |
| Decrease in other liabilities   |       | (4,659,606)       | (60,147,987)       |
| Interest received   |       | 62,150,082        | 117,033,700        |
| Interest paid   |       | 59,579,029        | 53,336,339         |
| Income taxes paid   |       | (9,492,313)       | (13,883,487)       |
|   |       | <u>72,892,115</u> | <u>128,580,149</u> |

The net provision on credit losses of \$1,433,498 (2022: \$226,681) above includes an increase in loan provision during the year - \$1,787,601 (\$338,376) and a decrease in ECL allowances on investment securities through profit or loss - \$354,103 (\$111,695).

# NCB Merchant Bank (Trinidad and Tobago) Limited

## Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

### 27 Related party transactions

|  | The parent and entities<br>with significant influence<br>over the entity |            | Directors and key<br>management personnel<br>(and their families) |            |
|--|--|------------|---|------------|
|  | 2023<br>\$   | 2022<br>\$ | 2023<br>\$  | 2022<br>\$ |
| <b>Loans and advances</b>                |  |            |   |            |
| Balance at 1 October                     | --   | --         | 1,418,701   | 1,391,655  |
| Issued during the year                   | --   | --         | --  | 622,785    |
| Repayment during the year                | --   | --         | (648,202)   | (595,739)  |
| Balance at 30 September                  | --   | --         | 770,499   | 1,418,701  |
| Interest income earned (loans)           | --   | --         | 49,202  | 76,021     |
| <b>Investment classified as FVPL</b>     |  |            |   |            |
| Balance at 1 October                     | 236,997  | 305,308    | --  | --         |
| Net movement during the year             | (59,482)   | (68,311)   | --  | --         |
| Balance at 30 September                  | 177,515  | 236,997    | --  | --         |
| Interest income earned<br>(reverse repo) | 948  | 7,176      | --  | --         |
| Other assets                             | 517,398  | 16,374,963 | --  | --         |
| Other liabilities                        | 6,516,370  | 2,093,520  | --  | --         |
| Fees and commission earned               | --   | 5,065,875  | --  | --         |
| Customer deposits                        | --   | --         | --  | --         |
| Interest expense (customer dep)          | --   | 49,644     | --  | --         |
| Repurchase agreement (Repo)              | 13,883,910   | 12,151,890 | --  | --         |
| Interest expense on Repo                 | 168,661  | 151,890    | --  | --         |
| Other operating expenses                 | 524,167  | 325,726    | --  | --         |
| Dividends payable                        | 6,479,000  | --         | --  | --         |

There is no allowance account for impaired receivables in relation to any outstanding balances, and no expense has been recognised in respect of impaired receivables due from related parties as none of the outstanding balances are considered impaired.

# NCB Merchant Bank (Trinidad and Tobago) Limited

## Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

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### 27 Related party transactions (continued)

#### *Key management compensation*

|  | 2023<br>\$       | 2022<br>\$       |
|--|------------------|------------------|
| Salaries and other short term benefits | <u>7,082,403</u> | <u>5,368,177</u> |

### 28 Financial risk management

The Company's activities expose it to a variety of financial risks. These risks include liquidity risk, credit risk, and market risk which includes; interest rate risk, foreign exchange risk and price risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

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:

- Credit and Counterparty risk - exposures to individuals, group, counterparty, country
- Market risk - rate gap exposure, currency exposure, market value exposure
- 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 and procedures*

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*

Credit risk is the risk that a borrower or counter-party fails to meet contractual obligations, or to perform as agreed. This risk is managed through credit appraisal governed by adherence to credit risk policies in compliance with regulatory requirements. The major classes of credit facilities advanced are instalment loans, mortgage loans, finance leases and trade financing.

Authorisation limits are established for different credit facilities with approval levels for Group Risk Management Division, the Risk Management Committee and the Board.

Portfolio management is the key in managing the performance of the instalment loans, mortgage loans, finance leases and trade financing. In that regard, focus is on relationship management and monitoring of repayments to ensure that they are not only paid but paid in a timely manner. Having the relevant legal support in cases of default is also a critical component of ensuring early redress of the situation to minimise loss through default. In addition, particular attention is paid to ensuring the maintenance of collateral.

# NCB Merchant Bank (Trinidad and Tobago) Limited

## Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

### 28 Financial risk management (continued)

#### a. Credit risk (continued)

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

Credit risk exposures relating to on balance sheet assets are as follows:

|  | 2023<br>\$           | 2021<br>\$           |
|--|----------------------|----------------------|
| Balances with Central Bank of Trinidad and Tobago      | 62,251,920           | 65,508,210           |
| Due from other banks                                   | 117,386,505          | 383,210,483          |
| Reverse repurchase agreements                          | 25,045,497           | 35,000,000           |
| Investment securities                                  | 1,020,565,407        | 631,998,778          |
| Loans and advances, net of provision for credit losses | <u>485,183,861</u>   | <u>409,861,695</u>   |
|  | <u>1,710,433,190</u> | <u>1,525,579,166</u> |

The credit quality of loans is summarised as follows:

|                                   |                    |                    |
|-----------------------------------|--------------------|--------------------|
| Unimpaired                        | 470,832,583        | 397,559,512        |
| Impaired                          | <u>16,516,343</u>  | <u>12,950,671</u>  |
|                                   | 487,348,926        | 410,510,183        |
| Less: provision for credit losses | <u>(2,525,806)</u> | <u>(739,379)</u>   |
| Net                               | <u>484,823,120</u> | <u>409,770,804</u> |

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

|                      |                    |                    |
|----------------------|--------------------|--------------------|
| Less than 30 days    | 468,475,553        | 391,634,108        |
| 31 to 60 days        | 2,133,869          | 3,819,797          |
| 61 to 90 days        | 223,161            | 2,047,922          |
| Greater than 90 days | <u>--</u>          | <u>57,685</u>      |
|                      | <u>470,832,583</u> | <u>397,559,512</u> |

Of the aggregate amount of gross past due but not impaired loans, \$309,355,473 was secured (2022: \$280,350,942).

#### Credit exposures

##### (i) Loans

The following table summarises the credit exposure to businesses and government by sector:

|   |                    |                    |
|---|--------------------|--------------------|
| Central government                        | 365,263,190        | 265,608,192        |
| Construction and land development         | 43,910,287         | 50,703,714         |
| Other financial institutions              | 3,179,866          | 3,831,636          |
| Distribution                              | 19,128,161         | 29,746,826         |
| Manufacturing                             | 2,053,593          | 2,367,262          |
| Mining and processing                     | 1,803,295          | 1,904,851          |
| Personal                                  | 17,887,105         | 16,044,498         |
| Professional and other services           | 25,220,469         | 19,172,576         |
| Tourism                                   | 2,585,319          | 1,266,553          |
| Transportation, storage and communication | <u>457,181</u>     | <u>16,919,899</u>  |
|   | 481,488,466        | 407,566,007        |
| Expected credit losses                    | <u>(2,525,806)</u> | <u>(739,379)</u>   |
| Interest receivable                       | <u>6,221,201</u>   | <u>3,035,067</u>   |
|   | <u>485,183,861</u> | <u>409,861,695</u> |

# NCB Merchant Bank (Trinidad and Tobago) Limited

## Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

### 28 Financial risk management (continued)

a. *Credit risk (continued)*

*Credit exposures (continued)*

(ii) *Debt securities*

2023  
\$

2022  
\$

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

|                                   |                      |                    |
|-----------------------------------|----------------------|--------------------|
| Government of Trinidad and Tobago | 945,256,571          | 585,535,026        |
| Corporate                         | 56,832,814           | 35,010,827         |
| Foreign governments               | <u>18,476,018</u>    | <u>10,892,428</u>  |
|                                   | 1,020,565,403        | 631,438,281        |
| Interest receivable               | 16,025,316           | 11,060,189         |
| Total ECL                         | <u>(374,523)</u>     | <u>(728,623)</u>   |
|                                   | <u>1,036,216,196</u> | <u>641,769,847</u> |

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available).

*External credit ratings (Standard and Poor's)*

|      |                      |                    |
|------|----------------------|--------------------|
| AAA  | 5,062,823            | --                 |
| BBB- | 977,415,860          | 598,477,103        |
| BB+  | 18,722,531           | 18,702,254         |
| BB-  | 15,994,048           | 10,892,428         |
| B    | <u>3,370,145</u>     | <u>3,366,495</u>   |
|      | <u>1,020,565,407</u> | <u>631,438,280</u> |

(iii) The following tables contain analyses of the credit risk exposure of financial investments for which an ECL allowance is recognised. The gross carrying amounts of investments below represent the Company's maximum exposure to credit risk on these assets.

| Alternate classification for internal rating – S&P or equivalent | Classification       | External  |
|--|----------------------|-----------|
| Low risk   | Investment Grade     | AAA – BBB |
| Medium risk  | Non-Investment Grade | BB – B    |
| High risk  | Non-Investment Grade | CCC - C   |
| Default  | Default              | D         |

| 30 September 2023            | ECL staging             |                         |                         | Total                |
|------------------------------|-------------------------|-------------------------|-------------------------|----------------------|
|                              | Stage 1<br>12-month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL |                      |
|                              | \$                      | \$                      | \$                      | \$                   |
| <b>Debt securities</b>       |                         |                         |                         |                      |
| <b>Risk rating</b>           |                         |                         |                         |                      |
| Low                          | 982,478,682             | --                      | --                      | 982,478,682          |
| Medium                       | <u>38,086,725</u>       | --                      | --                      | <u>38,086,725</u>    |
| <b>Gross carrying amount</b> | <u>1,020,565,407</u>    | --                      | --                      | <u>1,020,565,407</u> |

# NCB Merchant Bank (Trinidad and Tobago) Limited

## Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

### 28 Financial risk management (continued)

#### a. Credit risk (continued)

Credit exposures (continued)

30 September 2022

|                              | ECL staging                   |                               |                               | Total<br>\$        |
|------------------------------|-------------------------------|-------------------------------|-------------------------------|--------------------|
|                              | Stage 1<br>12-month ECL<br>\$ | Stage 2<br>Lifetime ECL<br>\$ | Stage 3<br>Lifetime ECL<br>\$ |                    |
| <b>Debt securities</b>       |                               |                               |                               |                    |
| <b>Risk rating</b>           |                               |                               |                               |                    |
| Low                          | 598,477,104                   | --                            | --                            | 598,477,104        |
| Medium                       | 32,961,177                    | --                            | --                            | 32,961,177         |
| <b>Gross carrying amount</b> | <u>631,438,281</u>            | <u>--</u>                     | <u>--</u>                     | <u>631,438,281</u> |

30 September 2023

|                           | ECL staging                   |                               |                               | Total<br>\$        |
|---------------------------|-------------------------------|-------------------------------|-------------------------------|--------------------|
|                           | Stage 1<br>12-month ECL<br>\$ | Stage 2<br>Lifetime ECL<br>\$ | Stage 3<br>Lifetime ECL<br>\$ |                    |
| <b>Loans and advances</b> |                               |                               |                               |                    |
| <b>risk rating</b>        |                               |                               |                               |                    |
| Low                       | 468,488,725                   | 2,349,258                     | 10,650,483                    | 481,488,466        |
| Gross carrying amount     | 468,488,725                   | 2,349,258                     | 10,650,483                    | 481,488,466        |
| Loss allowance            | (628,367)                     | (26,834)                      | (1,870,605)                   | (2,525,806)        |
| <b>Carrying amount</b>    | <u>467,860,358</u>            | <u>2,322,424</u>              | <u>8,779,878</u>              | <u>478,962,660</u> |

30 September 2022

|                           | ECL staging                   |                               |                               | Total<br>\$        |
|---------------------------|-------------------------------|-------------------------------|-------------------------------|--------------------|
|                           | Stage 1<br>12-month ECL<br>\$ | Stage 2<br>Lifetime ECL<br>\$ | Stage 3<br>Lifetime ECL<br>\$ |                    |
| <b>Loans and advances</b> |                               |                               |                               |                    |
| <b>risk rating</b>        |                               |                               |                               |                    |
| Low                       | 391,634,108                   | 5,867,719                     | 10,064,180                    | 407,566,007        |
| Gross carrying amount     | 391,634,108                   | 5,867,719                     | 10,064,180                    | 407,566,007        |
| Loss allowance            | (544,442)                     | (85,425)                      | (109,512)                     | (739,379)          |
| <b>Carrying amount</b>    | <u>391,089,666</u>            | <u>5,782,294</u>              | <u>9,954,668</u>              | <u>406,826,628</u> |

30 September 2023

|                       | ECL staging                   |                               |                               | Total<br>\$      |
|-----------------------|-------------------------------|-------------------------------|-------------------------------|------------------|
|                       | Stage 1<br>12-month ECL<br>\$ | Stage 2<br>Lifetime ECL<br>\$ | Stage 3<br>Lifetime ECL<br>\$ |                  |
| <b>Other assets</b>   |                               |                               |                               |                  |
| <b>risk rating</b>    |                               |                               |                               |                  |
| Low                   | 5,835,792                     | --                            | --                            | 5,835,792        |
| Gross carrying amount | <u>5,835,792</u>              | <u>--</u>                     | <u>--</u>                     | <u>5,835,792</u> |



# NCB Merchant Bank (Trinidad and Tobago) Limited

## Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

### 28 Financial risk management (continued)

#### a. Credit risk (continued)

Credit exposures (continued)

| 30 September 2022                   | ECL staging                   |                               |                               | Total<br>\$ |
|-------------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------|
|                                     | Stage 1<br>12-month ECL<br>\$ | Stage 2<br>Lifetime ECL<br>\$ | Stage 3<br>Lifetime ECL<br>\$ |             |
| <b>Other assets<br/>risk rating</b> |                               |                               |                               |             |
| Low                                 | 19,489,909                    | --                            | --                            | 19,489,909  |
| Gross carrying amount               | 19,489,909                    | --                            | --                            | 19,489,909  |

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

| 30 September 2023                      | ECL staging                   |                               |                               | Total<br>\$ |
|--|-------------------------------|-------------------------------|-------------------------------|-------------|
|  | Stage 1<br>12-month ECL<br>\$ | Stage 2<br>Lifetime ECL<br>\$ | Stage 3<br>Lifetime ECL<br>\$ |             |
| <b>Debt securities<br/>risk rating</b> |                               |                               |                               |             |
| Low                                    | 219,239                       | --                            | --                            | 219,239     |
| Medium                                 | 155,284                       | --                            | --                            | 155,284     |
| <b>Loss allowance</b>                  | 374,523                       | --                            | --                            | 374,523     |

| 30 September 2022                      | ECL staging                   |                               |                               | Total<br>\$ |
|--|-------------------------------|-------------------------------|-------------------------------|-------------|
|  | Stage 1<br>12-month ECL<br>\$ | Stage 2<br>Lifetime ECL<br>\$ | Stage 3<br>Lifetime ECL<br>\$ |             |
| <b>Debt securities<br/>risk rating</b> |                               |                               |                               |             |
| Low                                    | 559,706                       | --                            | --                            | 559,706     |
| Medium                                 | 168,240                       | --                            | --                            | 168,240     |
| <b>Loss allowance</b>                  | 727,946                       | --                            | --                            | 727,946     |

# NCB Merchant Bank (Trinidad and Tobago) Limited

## Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

### 28 Financial risk management (continued)

#### a. Credit risk (continued)

##### Credit exposures (continued)

#### 30 September 2023

|   | ECL staging                   |                               |                               | Total<br>\$        |
|---|-------------------------------|-------------------------------|-------------------------------|--------------------|
|   | Stage 1<br>12-month ECL<br>\$ | Stage 2<br>Lifetime ECL<br>\$ | Stage 3<br>Lifetime ECL<br>\$ |                    |
| <b>Loans and advances<br/>risk rating</b> |                               |                               |                               |                    |
| Low                                       | (628,367)                     | (26,834)                      | (1,870,605)                   | (2,525,806)        |
| <b>Loss allowance</b>                     | <u>(628,367)</u>              | <u>(26,834)</u>               | <u>(1,870,605)</u>            | <u>(2,525,806)</u> |

#### 30 September 2022

|   | ECL staging                   |                               |                               | Total<br>\$      |
|---|-------------------------------|-------------------------------|-------------------------------|------------------|
|   | Stage 1<br>12-month ECL<br>\$ | Stage 2<br>Lifetime ECL<br>\$ | Stage 3<br>Lifetime ECL<br>\$ |                  |
| <b>Loans and advances<br/>risk rating</b> |                               |                               |                               |                  |
| Low                                       | (544,442)                     | (85,425)                      | (109,512)                     | (739,379)        |
| <b>Loss allowance</b>                     | <u>(544,442)</u>              | <u>(85,425)</u>               | <u>(109,512)</u>              | <u>(739,379)</u> |

##### Loss allowance

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

|  | ECL staging                   |                               |                               | Total<br>\$    |
|--|-------------------------------|-------------------------------|-------------------------------|----------------|
|  | Stage 1<br>12-month ECL<br>\$ | Stage 2<br>Lifetime ECL<br>\$ | Stage 3<br>Lifetime ECL<br>\$ |                |
| <b>Debt securities</b>                             |                               |                               |                               |                |
| <b>Loss allowance as<br/>at 1 October 2022</b>     | 727,946                       | --                            | --                            | 727,946        |
| New financial assets originated<br>or purchased    | 134,026                       | --                            | --                            | 134,026        |
| Financial assets derecognised<br>during the period | (37,882)                      | --                            | --                            | (37,882)       |
| Changes to principal                               | (17,295)                      | --                            | --                            | (17,295)       |
| Changes to inputs in ECL model                     | (419,303)                     | --                            | --                            | (419,303)      |
| Foreign exchange movement                          | (12,969)                      | --                            | --                            | (12,969)       |
| <b>Loss allowance as<br/>at 30 September 2023</b>  | <u>374,523</u>                | <u>--</u>                     | <u>--</u>                     | <u>374,523</u> |

# NCB Merchant Bank (Trinidad and Tobago) Limited

## Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

### 28 Financial risk management (continued)

#### a. Credit risk (continued)

Credit exposures (continued)

Loss allowance (continued)

|  | ECL staging                   |                               |                               | Total<br>\$      |
|--|-------------------------------|-------------------------------|-------------------------------|------------------|
|  | Stage 1<br>12-month ECL<br>\$ | Stage 2<br>Lifetime ECL<br>\$ | Stage 3<br>Lifetime ECL<br>\$ |                  |
| <b>Loans and advances</b>                        |                               |                               |                               |                  |
| <b>Loss allowance as at 1 October 2022</b>       | 544,442                       | 85,425                        | 109,512                       | 739,379          |
| Transfer from Stage 1 to Stage 3                 | (2,042)                       | 2,042                         | --                            | --               |
| New financial assets originated or purchased     | 419,255                       | 6,841                         | 86,913                        | 513,009          |
| Financial assets derecognised during this period | (164,059)                     | (39,315)                      |                               | (203,374)        |
| Changes to inputs in ECL model                   | --                            | --                            | 1,686,559                     | 1,686,559        |
| Changes to principal                             | (169,229)                     | (26,117)                      | (14,421)                      | (209,767)        |
| <b>Loss allowance as at 30 September 2023</b>    | <u>628,367</u>                | <u>28,876</u>                 | <u>1,868,563</u>              | <u>2,525,806</u> |

#### Sensitivity analysis

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

| Financial Assets             | 2023                     |                |                |
|------------------------------|--------------------------|----------------|----------------|
|                              | Actual PD ranges applied | % Change in PD | Impact on ECL  |
|                              |                          |                | \$             |
| Debt securities              | 0.001% – 0.019%          | 10% - 30%      | 105,796        |
| Loans and advances           | 0.001% -0.86%            | 10% - 30%      | 216,984        |
| Reverse repurchase agreement | 0.001% -0.0159%          | 10% - 30%      | 349            |
| Total                        |                          |                | <u>323,129</u> |

# NCB Merchant Bank (Trinidad and Tobago) Limited

## Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

### 28 Financial risk management (continued)

#### a. Credit risk (continued)

Credit exposures (continued)

Sensitivity analysis (continued)

| Financial Assets             | 2022                     |                |                |
|------------------------------|--------------------------|----------------|----------------|
|                              | Actual PD ranges applied | % Change in PD | Impact on ECL  |
|                              |                          |                | \$             |
| Debt securities              | 0.001% – 0.019%          | 10% - 30%      | 215,940        |
| Loans and advances           | 0.003% - 0.043%          | 10% - 30%      | 182,791        |
| Reverse repurchase agreement | 0.001% - 0.014%          | 10% - 30%      | 201            |
| Total                        |                          |                | <u>398,932</u> |

#### b. Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. The Company's liquidity management process is carried out by the Company's Treasurer as follows:

- Day to day funding, managed by monitoring future cash flows to ensure that requirements can be met. These include replenishment of funds as they mature or are borrowed by customers.
- Maintaining a portfolio of marketable assets that can be liquidated as protection against any unforeseen interruption to cash flow.
- Managing the concentration and profile of maturities.
- Use of liquidity gap analysis.

# NCB Merchant Bank (Trinidad and Tobago) Limited

## Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

### 28 Financial risk management (continued)

#### b. Liquidity risk (continued)

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

#### As at 30 September 2023

|   | Within 1 month<br>\$ | 2 to 3 months<br>\$ | 4 to 12 months<br>\$ | 1 to 5 years<br>\$ | Over 5 years<br>\$ | Total<br>\$          |
|---|----------------------|---------------------|----------------------|--------------------|--------------------|----------------------|
| <b>Liabilities</b>  |                      |                     |                      |                    |                    |                      |
| Customers deposits  | 549,183,608          | 118,820,795         | 27,469,442           | 185,046,218        | --                 | 880,520,063          |
| Repurchase agreements   | 8,240,000            | 144,318,669         | 518,676,872          | --                 | 8,828,000          | 680,063,541          |
| Lease liabilities   | 66,252               | 133,912             | 623,089              | 215,308            | --                 | 1,038,561            |
| Other liabilities   | 30,904,295           | --                  | --                   | --                 | --                 | 30,904,295           |
| <b>Total financial liabilities<br/>(contractual maturity dates)</b> | <b>588,394,155</b>   | <b>263,273,376</b>  | <b>546,769,403</b>   | <b>185,261,526</b> | <b>8,828,000</b>   | <b>1,592,526,460</b> |
| <b>Assets held for managing liquidity risk</b>                      | <b>204,712,996</b>   | <b>--</b>           | <b>5,062,823</b>     | <b>24,283,359</b>  | <b>991,219,225</b> | <b>1,225,278,403</b> |

#### As at 30 September 2022

|   | Within 1 month<br>\$ | 2 to 3 months<br>\$ | 4 to 12 months<br>\$ | 1 to 5 years<br>\$ | Over 5 years<br>\$ | Total<br>\$          |
|---|----------------------|---------------------|----------------------|--------------------|--------------------|----------------------|
| <b>Liabilities</b>  |                      |                     |                      |                    |                    |                      |
| Customers deposits  | 17,125,639           | 184,706,929         | 599,041,317          | 142,214,590        | --                 | 943,088,475          |
| Repurchase agreements   | 3,653,958            | 22,871,740          | 436,424,657          | --                 | --                 | 462,950,355          |
| Lease liabilities   | 36,850               | 73,700              | 640,530              | 1,067,550          | --                 | 1,818,630            |
| Other liabilities   | 29,813,329           | --                  | --                   | --                 | --                 | 29,813,329           |
| <b>Total financial liabilities<br/>(contractual maturity dates)</b> | <b>50,629,776</b>    | <b>207,652,369</b>  | <b>1,036,106,504</b> | <b>143,282,140</b> | <b>--</b>          | <b>1,437,670,789</b> |
| <b>Assets held for managing liquidity risk</b>                      | <b>483,754,986</b>   | <b>--</b>           | <b>--</b>            | <b>6,668,866</b>   | <b>624,769,415</b> | <b>1,115,193,267</b> |

# NCB Merchant Bank (Trinidad and Tobago) Limited

## Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

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### 28 Financial risk management (continued)

#### c. *Market risk*

The Company 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 Company incurs market risk primarily in treasury, trading and structural banking activities. The Company manages the risk in accordance with the Group's risk management framework. This includes:

- Oversight provided by the relevant governance committees.
- An independent market risk oversight function.
- Limit setting mechanisms and a monitoring process.

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

The Company 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 Company ensures that its net exposure is kept to an acceptable level by buying or selling foreign assets to address short term imbalances.

# NCB Merchant Bank (Trinidad and Tobago) Limited

## Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

### 28 Financial risk management (continued)

#### c. Market risk (continued)

##### (i) Currency risk (continued)

The tables below summarises the Company's TTD equivalent exposure to foreign currency exchange rate risk as at the date of the statement of financial position.

#### As at September 2023

|  | TTD<br>\$            | JMD<br>\$     | US\$<br>\$         | CAN\$<br>\$    | Other<br>\$   | Total<br>\$          |
|--|----------------------|---------------|--------------------|----------------|---------------|----------------------|
| <b>Assets</b>  |                      |               |                    |                |               |                      |
| Cash and balances at Central Bank of Trinidad and Tobago | 62,263,038           | --            | 17,956             | --             | --            | 62,280,994           |
| Due from other banks                                     | 87,349,668           | 54,027        | 29,819,476         | 117,854        | 45,480        | 117,386,505          |
| Reverse repurchase agreements                            | 25,045,497           | --            | --                 | --             | --            | 25,045,497           |
| Investment securities(including pledged assets)          | 913,527,989          | --            | 124,917,261        | --             | --            | 1,038,445,250        |
| Loans and advances net of provision                      | 378,089,050          | --            | 107,094,811        | --             | --            | 485,183,861          |
| Other assets   | 3,772,169            | --            | 2,059,208          | 4,415          | --            | 5,835,792            |
| <b>Total assets</b>                                      | <b>1,470,047,411</b> | <b>54,027</b> | <b>263,908,712</b> | <b>122,269</b> | <b>45,480</b> | <b>1,734,177,899</b> |
| <b>Liabilities</b>                                       |                      |               |                    |                |               |                      |
| Customer deposits  | 675,941,809          | --            | 184,801,530        | --             | --            | 860,743,339          |
| Repurchase agreements                                    | 625,540,856          | --            | 41,891,091         | --             | --            | 667,431,947          |
| Lease liabilities  | 1,038,561            | --            | --                 | --             | --            | 1,038,561            |
| Dividend payable   | 6,479,000            | --            | --                 | --             | --            | 6,479,000            |
| Other liabilities  | 23,569,481           | --            | 756,524            | 99,290         | --            | 24,425,295           |
| <b>Total liabilities</b>                                 | <b>1,332,569,707</b> | <b>--</b>     | <b>227,449,145</b> | <b>99,290</b>  | <b>--</b>     | <b>1,560,118,142</b> |
| <b>Net on-balance sheet position</b>                     | <b>137,477,704</b>   | <b>54,027</b> | <b>36,459,567</b>  | <b>22,979</b>  | <b>45,480</b> | <b>174,059,757</b>   |

# NCB Merchant Bank (Trinidad and Tobago) Limited

## Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

### 28 Financial risk management (continued)

#### c Market risk (continued)

##### (i) Currency risk (continued)

As at September 2022

|  | TTD                  | JMD          | US\$               | CAN\$          | Other      | Total                |
|--|----------------------|--------------|--------------------|----------------|------------|----------------------|
|  | \$                   | \$           | \$                 | \$             | \$         | \$                   |
| <b>Assets</b>  |                      |              |                    |                |            |                      |
| Cash and balances at Central Bank of Trinidad and Tobago | 65,514,380           | --           | 30,123             | --             | --         | 65,544,503           |
| Due from other banks                                     | 322,051,949          | 3,079        | 60,874,853         | 280,294        | 308        | 383,210,483          |
| Reverse repurchase agreements                            | 35,000,000           | --           | --                 | --             | --         | 35,000,000           |
| Investment securities(including pledged assets)          | 534,151,292          | --           | 109,678,546        | --             | --         | 643,829,838          |
| Loans and advances net of provision                      | 299,572,709          | --           | 110,288,986        | --             | --         | 409,861,695          |
| Other assets   | 16,071,483           | --           | 3,414,096          | 4,330          | --         | 19,489,909           |
| <b>Total assets</b>                                      | <b>1,272,361,813</b> | <b>3,079</b> | <b>284,286,604</b> | <b>284,624</b> | <b>308</b> | <b>1,556,936,428</b> |
| <b>Liabilities</b>                                       |                      |              |                    |                |            |                      |
| Customer deposits  | 739,705,684          | --           | 184,180,841        | --             | --         | 923,886,525          |
| Repurchase agreements                                    | 425,873,925          | --           | 27,363,650         | --             | --         | 453,237,575          |
| Lease liabilities  | 1,676,284            | --           | --                 | --             | --         | 1,676,284            |
| Other liabilities  | 12,399,369           | --           | 17,170,525         | 243,435        | --         | 29,813,329           |
| <b>Total liabilities</b>                                 | <b>1,179,655,262</b> | <b>--</b>    | <b>228,715,016</b> | <b>243,435</b> | <b>--</b>  | <b>1,408,613,713</b> |
| <b>Net on-balance sheet position</b>                     | <b>92,706,551</b>    | <b>3,079</b> | <b>55,571,588</b>  | <b>41,189</b>  | <b>308</b> | <b>148,322,715</b>   |



# NCB Merchant Bank (Trinidad and Tobago) Limited

## Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

### 28 Financial risk management (continued)

#### c. Market risk (continued)

##### (i) Currency risk (continued)

##### Foreign currency sensitivity

The following table indicates the currencies to which the Company has 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.

|                 | <b>% Change in<br/>currency rate<br/>2023</b> | <b>Effect on<br/>net profit<br/>2023</b> | <b>Effect on<br/>equity<br/>2023</b> | <b>% Change in<br/>currency rate<br/>2022</b> | <b>Effect on net<br/>profit<br/>2022</b> | <b>Effect on<br/>equity<br/>2022</b> |
|-----------------|---|--|--------------------------------------|---|--|--------------------------------------|
|                 |   | \$                                       | \$                                   |   | \$                                       | \$                                   |
| <b>Currency</b> |   |  |                                      |   |  |                                      |
| USD             | 2%  | 729,191                                  | 729,191                              | 2%  | 1,111,432                                | 1,111,432                            |
| USD             | -4%   | (1,458,383)                              | (1,458,383)                          | -4%   | (2,222,864)                              | (2,222,864)                          |
| CAD             | 2%  | 460                                      | 460                                  | 2%  | 824                                      | 824                                  |
| CAD             | -4%   | (919)                                    | (919)                                | -4%   | (1,648)                                  | (1,648)                              |

# NCB Merchant Bank (Trinidad and Tobago) Limited

## Notes to the Financial Statements (continued)

30 September 2023

*(Expressed in Trinidad and Tobago Dollars)*

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### 28 Financial risk management (continued)

#### c. *Market risk (continued)*

##### (ii) *Interest rate risk*

Interest rate risk arises when the Company's principal and interest cash flows from balance sheet items have mismatched re-pricing dates. The short-term impact is experienced on the Company's net interest income and long term impact is felt on its equity.

The Company 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 Company's policy requires that such mismatches are managed. Accordingly, a comprehensive system of limits and gap analysis is used to manage the Company's exposure.

# NCB Merchant Bank (Trinidad and Tobago) Limited

## Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

### 28 Financial risk management (continued)

#### c. Market risk (continued)

##### (ii) Interest rate risk (continued)

As at 30 September 2023

|  | Within 1<br>month<br>\$ | 2 to 3<br>months<br>\$ | 4 to 12<br>months<br>\$ | 1 to 5<br>years<br>\$  | Over<br>5 years<br>\$ | Non-<br>interest<br>bearing<br>\$ | Total<br>\$          |
|--|-------------------------|------------------------|-------------------------|------------------------|-----------------------|-----------------------------------|----------------------|
| <b>Assets</b>  |                         |                        |                         |                        |                       |                                   |                      |
| Cash and balances at Central Bank of Trinidad and Tobago | --                      | --                     | --                      | --                     | --                    | 62,280,994                        | 62,280,994           |
| Due from other banks                                     | 117,386,505             | --                     | --                      | --                     | --                    | --                                | 117,386,505          |
| Reverse repurchase agreements                            | --                      | 25,000,000             | --                      | --                     | --                    | 45,497                            | 25,045,497           |
| Investment securities                                    | --                      | --                     | 5,062,823               | 24,283,359             | 991,219,221           | 17,879,847                        | 1,038,445,250        |
| Loans and advances net of provision                      | 14,791,219              | 29,860,325             | 4,771,638               | 142,521,321            | 292,878,617           | 360,741                           | 485,183,861          |
| Other assets   | --                      | --                     | --                      | --                     | --                    | 5,835,792                         | 5,835,792            |
| <b>Total assets</b>                                      | <b>132,177,724</b>      | <b>54,860,325</b>      | <b>9,834,461</b>        | <b>166,804,680</b>     | <b>1,284,097,838</b>  | <b>86,402,871</b>                 | <b>1,734,177,899</b> |
| <b>Liabilities</b>                                       |                         |                        |                         |                        |                       |                                   |                      |
| Customer deposits  | 524,109,482             | 111,154,828            | 27,432,711              | 183,577,868            | --                    | 14,468,450                        | 860,743,339          |
| Repurchase agreements                                    | 8,000,000               | 141,059,616            | 502,922,390             | --                     | 8,300,000             | 7,149,941                         | 667,431,947          |
| Lease liabilities  | 66,252                  | 133,912                | 623,089                 | 215,308                | --                    | --                                | 1,038,561            |
| Dividend payable   | --                      | --                     | --                      | --                     | --                    | 6,479,000                         | 6,479,000            |
| Other liabilities  | --                      | --                     | --                      | --                     | --                    | 24,425,295                        | 24,425,295           |
| <b>Total liabilities</b>                                 | <b>532,175,734</b>      | <b>252,348,356</b>     | <b>530,978,190</b>      | <b>183,793,176</b>     | <b>8,300,000</b>      | <b>52,522,686</b>                 | <b>1,560,118,142</b> |
| <b>On balance sheet interest sensitivity gap</b>         | <b>(399,998,010)</b>    | <b>(197,488,031)</b>   | <b>(521,143,729)</b>    | <b>(16,988,496)</b>    | <b>1,275,797,838</b>  |                                   |                      |
| <b>Cumulative interest sensitivity gap</b>               | <b>(399,998,010)</b>    | <b>(597,486,041)</b>   | <b>(1,118,629,770)</b>  | <b>(1,135,618,266)</b> | <b>140,179,572</b>    |                                   |                      |

# NCB Merchant Bank (Trinidad and Tobago) Limited

## Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

### 28 Financial risk management (continued)

#### c. Market risk (continued)

##### (ii) Interest rate risk (continued)

As at 30 September 2022

|  | Within 1<br>month<br>\$ | 2 to 3 months<br>\$  | 4 to 12<br>months<br>\$ | 1 to 5<br>years<br>\$ | Over<br>5 years<br>\$ | Non-<br>interest<br>bearing<br>\$ | Total<br>\$          |
|--|-------------------------|----------------------|-------------------------|-----------------------|-----------------------|-----------------------------------|----------------------|
| <b>Assets</b>  |                         |                      |                         |                       |                       |                                   |                      |
| Cash and balances at Central Bank of Trinidad and Tobago | --                      | --                   | --                      | --                    | --                    | 65,544,503                        | 65,544,503           |
| Due from other banks                                     | 383,210,483             | --                   | --                      | --                    | --                    | --                                | 383,210,483          |
| Reverse repurchase agreements                            | 35,000,000              | --                   | --                      | --                    | --                    | --                                | 35,000,000           |
| Investment securities                                    | --                      | --                   | --                      | 6,668,866             | 624,769,415           | 12,391,557                        | 643,829,838          |
| Loans and advances net of provision                      | 13,859,553              | 368,367              | 31,091,450              | 91,678,851            | 272,772,583           | 90,891                            | 409,861,695          |
| Other assets   | --                      | --                   | --                      | --                    | --                    | 19,489,909                        | 19,489,909           |
| <b>Total assets</b>                                      | <b>432,070,036</b>      | <b>368,367</b>       | <b>31,091,450</b>       | <b>98,347,717</b>     | <b>897,541,998</b>    | <b>97,516,860</b>                 | <b>1,556,936,428</b> |
| <b>Liabilities</b>                                       |                         |                      |                         |                       |                       |                                   |                      |
| Customer deposits  | 5,287,717               | 183,750,260          | 588,776,107             | 134,239,463           | --                    | 11,832,978                        | 923,886,525          |
| Repurchase agreements                                    | 3,627,825               | 22,503,699           | 423,601,090             | --                    | --                    | 3,504,961                         | 453,237,575          |
| Lease liabilities  | 26,749                  | 54,317               | 571,558                 | 1,023,660             | --                    | --                                | 1,676,284            |
| Other liabilities  | --                      | --                   | --                      | --                    | --                    | 29,813,329                        | 29,813,329           |
| <b>Total liabilities</b>                                 | <b>8,942,291</b>        | <b>206,308,276</b>   | <b>1,012,948,755</b>    | <b>135,263,123</b>    | <b>--</b>             | <b>45,151,268</b>                 | <b>1,408,613,713</b> |
| <b>On balance sheet interest sensitivity gap</b>         | <b>423,127,745</b>      | <b>(205,939,909)</b> | <b>(981,857,305)</b>    | <b>(36,915,406)</b>   | <b>897,541,998</b>    |                                   |                      |
| <b>Cumulative interest sensitivity gap</b>               | <b>423,127,745</b>      | <b>217,187,836</b>   | <b>(764,669,469)</b>    | <b>(801,584,875)</b>  | <b>95,957,123</b>     |                                   |                      |

# NCB Merchant Bank (Trinidad and Tobago) Limited

## Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

### 28 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.

|                               | Effect on<br>net profit<br>2023<br>\$ | Effect on<br>net equity<br>2023<br>\$ | Effect on<br>net profit<br>2022<br>\$ | Effect on<br>net equity<br>2022<br>\$ |
|-------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| <b>Change in basis points</b> |                                       |                                       |                                       |                                       |
| -200 bps                      | (2,803,591)                           | (2,803,591)                           | (1,919,142)                           | (1,919,142)                           |
| +200 bps                      | 2,803,591                             | 2,803,591                             | 1,919,142                             | 1,919,142                             |

##### (iii) Other price risk

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

|   | Effect on<br>net profit<br>2023<br>\$ | Effect on<br>net equity<br>2023<br>\$ | Effect on<br>net profit<br>2022<br>\$ | Effect on<br>net equity<br>2022<br>\$ |
|---|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| <b>Percentage change<br/>in share price</b> |                                       |                                       |                                       |                                       |
| 10% decrease                                | (185,453)                             | (185,453)                             | (178,525)                             | (178,525)                             |
| 10% increase                                | (185,453)                             | (185,453)                             | 178,525                               | 178,525                               |

#### d. Capital management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value.

The statutorily required capital is \$15 million. The Company meets its objectives for managing capital and ensures adherence to the requirements of regulatory authorities by continuous monitoring and ensuring awareness of the regulations and by ensuring that the relevant procedures and controls are in place within the Company's systems.

# NCB Merchant Bank (Trinidad and Tobago) Limited

## Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

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### 28 Financial risk management (continued)

#### d. Capital management (continued)

The regulatory qualifying capital ratio for the Company is:

|                      | 2023<br>\$'000 | 2022<br>\$'000 |
|----------------------|----------------|----------------|
| Qualifying capital   | <u>179,272</u> | <u>165,236</u> |
| Risk adjusted assets | <u>822,994</u> | <u>782,924</u> |
| Capital ratio        | <u>21.78%</u>  | <u>21.10%</u>  |

The licensed non-banking financial institutions in Trinidad and Tobago are required to maintain a qualifying capital ratio of total regulatory capital to risk-weighted assets of at least 8%. On 13 December 2013, the date of the acquisition of NCB Merchant Bank (Trinidad and Tobago) Limited by NCB Capital Markets Limited, the Central Bank of Trinidad and Tobago (CBTT) stated that the Company's minimum capital ratio should not fall below 10%.

### 29 Fair value estimation

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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

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

# NCB Merchant Bank (Trinidad and Tobago) Limited

## Notes to the Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago Dollars)

### 29 Fair value estimation (continued)

The following table analyses within the fair value hierarchy the Company's financial assets measured at fair value at financial year ended:

| <b>As at 30 September 2023</b>                               | <b>Level 1</b>   | <b>Level 2</b>       | <b>Level 3</b> | <b>Total</b>         |
|--|------------------|----------------------|----------------|----------------------|
|  | \$               | \$                   | \$             | \$                   |
| <i>Financial assets</i>                                      |                  |                      |                |                      |
| <i>Investment securities classified as FVOCI</i>             |                  |                      |                |                      |
| Government of the Republic of Trinidad and Tobago Securities | 1,885,325        | 943,371,250          | --             | 945,256,575          |
| Foreign Gov't debt Securities                                | --               | 18,476,018           | --             | 18,476,018           |
| Corporate debt securities                                    | --               | 56,832,814           | --             | 56,832,814           |
|  | <u>1,885,325</u> | <u>1,018,680,082</u> | <u>--</u>      | <u>1,020,565,407</u> |

Investment securities at fair value through profit or loss

|                                       |                  |           |           |                  |
|---------------------------------------|------------------|-----------|-----------|------------------|
| Quoted and unquoted equity securities | <u>1,854,531</u> | <u>--</u> | <u>--</u> | <u>1,854,531</u> |
|---------------------------------------|------------------|-----------|-----------|------------------|

| <b>As at 30 September 2022</b>                               | <b>Level 1</b> | <b>Level 2</b>     | <b>Level 3</b> | <b>Total</b>       |
|--|----------------|--------------------|----------------|--------------------|
|  | \$             | \$                 | \$             | \$                 |
| <i>Financial assets</i>                                      |                |                    |                |                    |
| <i>Investment securities classified as FVOCI</i>             |                |                    |                |                    |
| Government of the Republic of Trinidad and Tobago Securities | --             | 585,535,026        | --             | 585,535,026        |
| Foreign Gov't debt Securities                                | --             | 10,892,428         | --             | 10,892,428         |
| Corporate debt securities                                    | --             | 35,010,827         | --             | 35,010,827         |
|  | <u>--</u>      | <u>631,438,281</u> | <u>--</u>      | <u>631,438,281</u> |

Investment securities at fair value through profit or loss

|                                       |                  |           |           |                  |
|---------------------------------------|------------------|-----------|-----------|------------------|
| Quoted and unquoted equity securities | <u>1,785,250</u> | <u>--</u> | <u>--</u> | <u>1,785,250</u> |
|---------------------------------------|------------------|-----------|-----------|------------------|

The Company's had no financial assets classified as Level 3 during the year and in the prior year.

# NCB Merchant Bank (Trinidad and Tobago) Limited

## Notes to the Financial Statements (continued)

**30 September 2023**

*(Expressed in Trinidad and Tobago Dollars)*

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### 30 **Dividends**

On 29 March 2023, the company declared a dividend of \$6,479,000 for the financial year ended 30 September 2022, being 20% of the net profit reported in the audited financial statements.

### 31 **Contingent liabilities**

The Company is not a party to any material pending legal proceedings other than ordinary routine litigation incidental to the business. It is not expected that the disposition of such litigation will have a material effect on the Company's financial position.

### 32 **Capital commitments**

The Company has no capital commitments.

### 33 **Subsequent events**

The Company paid a dividend of \$6,479,000 on 20 November 2023 (as per note 30).

There are no other events, situations or circumstances have occurred which might significantly affect the Company's equity or financial position, which have not been adequately contemplated or mentioned in these financial statements.